prospectus to cover over-allotments. The international managers may similarly purchase up to an additional shares from StarBand.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The shares will be ready for delivery on or about , 2000.

Merrill Lynch & Co.
Credit Suisse First Boston
Salomon Smith Barney
CIBC World Markets
ING Barings

The date of this prospectus is , 2000.

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access, bundling fast StarBand Internet access with a multi-megabit-speed content delivery service. Our service is targeted to underserved suburban and rural markets where terrestrial broadband alternatives are limited.

RELIABLE HIGH-SPEED ACCESS

- Up to 500 kilobits per second downstream speeds
- Proven technology based on Gilat Satellite Networks solution
- Single-hop architecture, independent from terrestrial networks
- Always-on connection

[photo of family using Internet]

Misleading

UNPARALLELED CONSUMER EXPERIENCE

- Ultra high-speed multicast content delivery
- Exclusive StarBand Carousel(SM) technology for personalized content applications
- Always-on
- Single-dish solution for high-speed Internet and satellite television

[photo of couple using Internet]

NATIONWIDE AND SCALABLE

- Available to virtually everyone, everywhere
- Over 90% of U.S. single family households have satellite line-of-sight
- Centralized network and redundant operations

[photo of installer]

THE STARBAND CONNECTION

-Small satellite dish
-StarBand modem

[photo of the StarBand CPE]

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You should rely only on the information contained in this prospectus. We have not, and the underwriters have not, authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not, and the underwriters are not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information appearing in this prospectus is accurate only as of the date on the front cover of this prospectus. Our business, financial condition, results of operations and prospects may have changed since that date.

StarBand[SM] and the StarBand family of marks are owned by StarBand Communications Inc. All other brand names, trademarks and service marks appearing in the prospectus are the property of their respective holders.

References in this prospectus to "we," "our," "us," "our company" and "StarBand" are to StarBand Communications Inc. On September 29, 2000, we changed our name to StarBand Communications Inc. from Gilat-To-Home Inc.

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SUMMARY

This summary does not contain all the information that may be important to you. You should read the entire prospectus carefully, including the financial statements and related notes beginning on page F-1, before making an investment decision.

Our Company

StarBand is the first nationwide provider of two-way, always-on, high-speed Internet access via satellite to residential and small office/ home office customers. We have deployed a proven and scalable network using leased capacity on existing communications satellites which we believe can provide our StarBand service today to any location in the United States with a clear view of the southern sky. We are targeting our StarBand service primarily to rural and suburban households with few or no high-speed Internet access alternatives. We estimate that approximately 55 million households do not presently have access to cable modem or digital subscriber line, or DSL, technology. Our basic service package offers unlimited access time at an affordable monthly flat rate. We have extensively tested our service offering at over 9,000 locations and, in combination with our strategic partners, are launching service nationwide in the fourth quarter of 2000. - pending FCC license

Our high-speed Internet access service benefits from the unique abilities of our one-hop satellite network architecture. Unlike terrestrial networks, satellite networks possess the ability to multicast, or simultaneously send common content, to millions of subscribers. Our solution is unique because it delivers high bandwidth content directly to the personal computer or other storage device at a subscriber's home. We can therefore expand the edge of the Internet directly to our subscribers and avoid potential congestion inherent in the terrestrial network. We intend to use our multicasting services to aggregate and filter high quality content and create an unparalleled experience for our subscribers. We will multicast content such as music, movies, software and emerging multimedia content at significantly higher speeds than existing broadband alternatives and, in 2001, we expect to introduce the StarBand Carousel[SM], a personalized high-speed digital delivery service, significantly enhancing our subscribers' experience and generating additional revenue opportunities.

We have three primary strategic partners and founding investors.

Gilat Satellite Networks Ltd., and its subsidiaries, leaders in satellite communications, are supplying their advanced networking technology and proven customer premises equipment to StarBand on an exclusive basis in the United States and Canada.

Microsoft Corporation, the owner of MSN, a leading consumer Internet service provider with over 3 million subscribers, has agreed to sell high-speed Internet access using our wholesale service offering through over 7,000 RadioShack locations.

EchoStar Communications, one of the two leading U.S. direct broadcast satellite television companies with over 4.5 million subscribers, has agreed to co-market our services to customers of its DISH television service and has provided us with access to more than 20,000 DISH retailers. In addition to our Internet only access package, we will offer a joint StarBand/ EchoStar single-dish solution for direct broadcast television and high-speed Internet access in a bundled package.

Our strategic partners and founding investors have played key roles in our development by providing us access to:

- proprietary proven technology;
- a large existing customer base;
- strong consumer brand names; and
- broad retail and wholesale distribution channels.

We believe that a substantial business opportunity exists for us as a result of the tremendous growth of the Internet, the increasing availability of broadband content and applications and the growing demand for high-speed Internet connections. Forrester Research estimates that 36.4 million U.S. households will have broadband Internet connections by 2004. Because of the high cost, complexity and physical limitations involved in providing DSL and cable modem services, the rollout of these services has been slow or impractical in most rural and many suburban areas. As illustrated by the recent success of direct broadcast satellite television, which was one of the most successful rollouts of a consumer electronics product, we believe that consumers in underserved markets will embrace our satellite-based solution for high-speed Internet access. Pioneer Consulting estimates that the satellite broadband access market in the United States will grow to approximately $13.2 billion by 2005.

The StarBand network consists of sophisticated and proven equipment at the subscriber's premises, two network operations centers connected to the Internet and satellite capacity linking subscriber equipment to the network operations centers. The customer premises equipment used in the StarBand network is comprised of a small satellite dish and outdoor components connected by cables to communications electronics that are installed in the subscriber's home. The primary central network operations center from which Gilat manages the telecommunications elements of our network, located in Marietta, Georgia, has a robust, redundant connection to the Internet and the requisite equipment to manage the network. The network design allows us to manage the amount of satellite capacity allocated to particular subscribers, and therefore to provide each subscriber specified minimum performance levels, even during peak periods. We continuously develop and optimize our technology to maintain and enhance network performance and monitor usage.

We are launching our service using existing Ku band satellite capacity that we and Gilat lease from several owners of geostationary satellites. By utilizing leased capacity, we minimize our investments in fixed capital assets and avoid the risks of deploying our own satellites. In order to further increase the cost efficiency of our network, we are working with leading suppliers to implement a next-generation satellite system which we expect will significantly increase our overall satellite capacity and decrease its cost on a per subscriber basis. The supplier we select will undertake the responsibility and expense of building and launching these satellites. We will enter into a long-term lease for capacity on these new satellites.

Our Strategy

Our mission is to become the leading provider of two-way, always-on, satellite-based high-speed Internet access. In order to achieve this goal, we intend to:

- rapidly expand our subscriber base;
- implement a targeted marketing plan to attract subscribers;
- maintain a low cost and capital-efficient business model;
- develop opportunities to sell higher-margin value-added services;
- continue to enhance our subscribers' StarBand experience; and
- pursue additional distribution and content partnerships.

To date, we have raised $126 million of equity from our strategic partners and founding investors. We have recently renegotiated our existing senior debt facility. We are also negotiating a bank facility to prefund our satellite capacity lease with Loral Skynet. We face many risks and uncertainties. For example, we have a limited operating history and as of August 31, 2000, we had an accumulated deficit of approximately $88.0 million. In addition, we operate in a highly competitive market and we expect to record substantial losses for at least the next few years.

We are a Delaware corporation. Our principal executive offices are located at 1760 Old Meadow Road, McLean, Virginia 22102, and our telephone number is 703-287-3000.

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The Offering

Common stock offered by StarBand:

U.S. offering	shares
International offering	shares
Total	shares
Shares outstanding after the offering	shares
Use of proceeds	We estimate that our net proceeds from this offering, without exercise of the over-allotment options, will be approximately $ million. We intend to use these net proceeds: • to fund the continued growth of our business and operations and expand our subscriber base; and • to the extent remaining, for general corporate and working capital purposes.
Risk factors	See "Risk Factors" and other information included in this prospectus for a discussion of factors you should carefully consider before deciding to invest in shares of our common stock.
Proposed Nasdaq National Market symbol	STRB

Unless otherwise indicated, all information in this prospectus, including the outstanding share information above, is based on 88,108,650 shares outstanding as of August 31, 2000 on a pro forma basis to reflect the automatic conversion of all outstanding preferred stock, and the issuance and conversion of additional convertible preferred stock, to be issued as dividends thereon, into 54,228,893 million shares of common stock upon completion of this offering. The outstanding share information excludes:

See also p. 5

- 8 million shares of common stock reserved for issuance under our 2000 stock incentive plan, of which 5,449,220 shares of common stock are subject to outstanding options with a weighted average exercise price of $2.50;
- 1,873,477 and 1,910,947 shares of common stock issuable upon the exercise of warrants and rights to purchase Series C and D mandatorily redeemable convertible preferred stock, respectively, and assumed immediate conversion thereof into common stock with a weighted average exercise price of $4.49 per share;
- 116,000 shares of common stock issuable upon the exercise of warrants issued to various third parties with a weighted average exercise price of $2.50; and
- shares of common stock issuable if the underwriters exercise their over-allotment option in full.

Summary Financial Data
(in thousands, except share and per share data)

In the table below, we provide you with summary historical financial data of StarBand Communications Inc. We have prepared this information using the financial statements of StarBand Communications Inc. for the period from January 11, 2000 (inception) to August 31, 2000.

When you read this summary historical financial data, it is important that you read along with it the historical financial statements and related notes, as well as the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations."

We face many risks and uncertainties. For example, we have a limited operating history and as of August 31, 2000, we had an accumulated deficit of approximately $88.0 million. In addition, we operate in a highly competitive market and we expect to record substantial losses for at least the next few years.

	Period from January 11, 2000 (Inception) through August 31, 2000
Statement of Operations Data:	
Total revenues	$ 7
Total cost and expenses	68,584
Loss from operations	(68,577)
Net loss attributable to common stockholders	$ (82,094)
Basic and diluted loss per share	$ (4.06)
Pro forma net loss attributable to common stockholders (unaudited)(1)	$ (66,848)
Pro forma basic and diluted loss per share (unaudited)(2)	$ (1.23)
Pro forma as adjusted net loss attributable to common stockholders (unaudited)(1)	$
Pro forma as adjusted basic and diluted loss per share (unaudited)(3)	$
Weighted Average Shares Outstanding:	
Basic and diluted	20,232,428
Pro forma basic and diluted (unaudited)(2)	54,456,199
Pro forma as adjusted basic and diluted (unaudited)(3)	

	As of August 31, 2000		
	Actual	Pro Forma (unaudited)	Pro Forma As Adjusted (unaudited)
		(4)	(5)
Balance Sheet Data:			
Cash and cash equivalents	$ 68,303	$ 68,303	
Restricted cash and cash equivalents	90,559	90,559	
Total	158,862	158,862	
Working capital	32,602	32,602	
Total assets	196,512	196,512	
Total debt	81,089	81,089	
Total mandatorily redeemable convertible preferred stock	142,870	—	
Total stockholders' (deficit) equity	(76,770)	66,100	

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The 32,643,118 number probably represents shares yielding cash to the Company; whereas, the 88,108,650 number is all shares excluding, as noted, warrants etc. not automatically converted.

(1) The pro forma and pro forma as adjusted net loss attributable to common stockholders reflects the elimination of the preferred stock dividends and accretion.

(2) The pro forma statement of operations data gives effect to the conversion of all outstanding mandatorily redeemable convertible preferred stock and dividends thereon into 32,643,118 and 1,580,653 shares of common stock, respectively, on a weighted average basis, and excludes common shares issuable upon exercise of outstanding stock options, issuance of common stock and pursuant to Series C and D mandatorily redeemable convertible preferred stock, because such shares are not automatically issuable upon consummation of this offering.

(3) The pro forma as adjusted statement of operations data gives effect to the pro forma adjustments discussed in (2) above, in addition to the sale of shares of common stock offered hereby at an assumed initial public offering price of $ per share as if such sale had occurred on January 11, 2000 (inception).

(4) The pro forma balance sheet data gives effect to the automatic conversion of all outstanding shares of mandatorily redeemable convertible preferred stock and dividends thereon into 51,727,573 and 2,501,320 shares of common stock, respectively, and excludes common shares issuable upon exercise of stock options (5,449,220 shares), warrants to purchase common stock (116,000 shares), Series C mandatorily redeemable convertible preferred stock (1,873,477 common share equivalents), and Series D mandatorily redeemable convertible preferred stock (1,910,947 common share equivalents) as such shares are not automatically issuable upon consummation of this offering.

These added together yield 54,228,897 same as p. 3

(5) The pro forma as adjusted balance sheet data gives effect to the pro forma adjustments discussed in (4), above, and to the sale of shares of common stock at an assumed initial public offering price of $ per share, after deducting underwriting discounts and commissions and estimated offering expenses payable by us as if such sale had occurred on August 31, 2000.

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RISK FACTORS

This offering and an investment in our common stock involve a high degree of risk. You should carefully consider the following risks and the other information in this prospectus before investing in our common stock. If any of the following risks and uncertainties develop into actual events, our business, financial condition and results of operations could be seriously harmed. This could cause the trading price of our common stock to decline, and you may lose all or part of your investment.

Risks Related to Our Business

We have an unproven business model and a limited operating history in a new and rapidly evolving industry, and we may not be able to implement our business plan.

Our business model is still in development. Our limited historical financial and operating data are not a good indication of how our business is doing or how it is evolving and may make it difficult for you to evaluate our performance. You must consider our business and prospects in light of the risks and difficulties typically encountered by companies in new and rapidly evolving industries such as ours. We may not adequately address these risks, and if we do not, we may not be able to implement our business plan as we intend.

We were incorporated in January 2000 and first began service operations in April 2000 by initiating a large-scale pilot program. We expect to initiate nationwide services on our network during the fourth quarter of 2000. Our services may not achieve broad consumer or commercial acceptance. Our business model contemplates that we will generate revenues from basic subscription services, value-added services, advertising and e-commerce. These revenues may not materialize if we fail to successfully implement our strategy for attracting subscribers.

We have incurred operating and net losses since our inception and expect to incur future losses for at least the next few years. Accordingly, we may not be able to achieve profitability and even if we do become profitable, we may not be able to sustain profitability.

We have incurred operating and net losses since our inception and expect to continue to operate at a loss for at least the next few years, primarily because we intend to increase capital expenditures and operating expenses in order to expand our network and to market and provide our services to a growing number of potential subscribers. As of August 31, 2000, we had an accumulated deficit of approximately $88.0 million. As we build our business to provide our services, we do not expect our revenues to increase as rapidly and as substantially as we expect our capital costs and other expenditures to increase over the next few years. As a result, we expect to incur additional operating and net losses for at least the next few years.

If we fail to manage our potential rapid growth and expansion effectively, or expand and allocate our resources efficiently, we may not be able to retain or grow our subscriber base.

We have grown rapidly and expect to continue to do so by hiring new employees, adding new subscribers and expanding into new distribution channels. Our growth has placed, and will continue to place, a significant strain on our management and our operating and financial systems, including billing and information systems. Our employees, outsourcing arrangements, systems, procedures and controls may be inadequate to support our future operations. In particular, we expect that demands on the network infrastructure and our technical support resources will increase rapidly as our subscriber base grows. We may therefore experience difficulties meeting a high demand for services in the future. In order to meet this demand, we will need to hire, train and retain the appropriate personnel, as well as the third-party service providers we depend on for customer service, to manage our operations. We will also need to adapt our financial and management controls, reporting systems, operating systems and billing and information systems. Our failure to manage growth and expansion effectively, or the failure by one of our service

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providers to adequately perform its services, could harm our ability to retain or grow our subscriber base which in turn would harm our business, financial condition and results of operations.

If our assumptions regarding the usage patterns of our subscribers are wrong, or if our subscribers' usage patterns change, we could have either too little or too much satellite capacity, and our business would be harmed.

In our business plan we make critical assumptions about how much satellite capacity our subscribers will use and at what times of day their usage will occur. These assumptions are based on our understanding regarding other Internet and satellite services, as well as data gathered from our pilot program. We use these assumptions to calculate the number of subscribers that can be supported on a given transponder, or unit of satellite capacity. If our assumptions are wrong, or if our subscribers' usage patterns change in the future as broadband applications become more widely available, we could have either insufficient capacity to maintain our expected level of service and lose customers, or have excess capacity and suffer inefficiencies in our business. If we fail to effectively manage our satellite resources, our business could be harmed, the quality of service we provide to our subscribers could deteriorate and we could lose existing, or fail to attract new, subscribers.

If we are unable to attract or retain subscribers, our business will be harmed.

Our success depends upon our ability to rapidly grow our subscriber base. Several factors may negatively impact this ability, including:

- loss of our existing sales and distribution channels, resulting in our lack of access to potential subscribers;
- failure to obtain additional distribution channels, also resulting in our lack of access to potential subscribers;
- failure to establish and maintain the StarBand brand through advertising and marketing, or erosion of our brand due to misjudgments in service offerings;
- failure to obtain content that appeals to the evolving preferences of our subscribers; and
- failure to provide the minimum transmission speeds and quality of service our customers expect.

In addition, our service requires customers to first purchase our satellite system equipment and then pay us monthly subscriber fees. The price of our equipment and our subscription fees are currently higher than those of many dial-up, DSL and cable modem Internet access services. In many instances, we expect to subsidize our subscribers' customer premises equipment to encourage the purchase of our service and to offset their higher relative costs. If we are unable to reduce the cost of our equipment, or if our subsidies are insufficient to attract or retain new subscribers, our business would be harmed.

If we fail to adequately develop, or consumers fail to accept, our high-speed Internet content and applications services, our business would be harmed.

A key component of our strategy is to provide a more compelling interactive experience to Internet users than they currently experience from dial-up and other Internet service providers. We believe that we must also provide high-quality multimedia Internet content and applications to our customers. Our success in obtaining and delivering this content and these applications, and in charging a premium for our service, is dependent on the ability of content and applications providers to create and support high-quality, high-speed multimedia Internet content and applications that work well with our technology and our ability to aggregate content and applications offerings in a manner that subscribers find useful and compelling.

We rely upon new technologies, products and services that we intend to introduce, such as multicasting, the StarBand Carousel [SM] and our planned next generation StarBand modem. We may not be able to develop and introduce these new technologies, products and services quickly or effectively. In addition, our plans to introduce multicasting and the StarBand Carousel[SM], planned for 2001, depend upon

our ability to attract content providers and reach agreements with them. Our ability to establish these content partnerships will depend on our ability to build and maintain a subscriber base large enough to justify investments in the development of this content and these applications. We currently have no agreements with any content providers and we cannot assure you that we will be successful in these endeavors. If the introduction of our new technologies, products and services is not successful, we may not be able to successfully implement our business plan and our results of operations and financial condition will be significantly harmed.

Intense competition in the Internet services market and inherent limitations in existing satellite technology may negatively affect the number of our subscribers and our revenues.

Competition in the market for consumer Internet access services is intense and we expect the level of competition to intensify in the future. We compete with providers of various high-speed communications technologies for local access connections, such as cable modem and DSL. We also may face competition from traditional telephone companies, competitive local exchange carriers and wireless communication companies. In many of our target markets, our service may currently be the only high-speed service available. As our competitors expand their operations to offer high speed Internet services, we may no longer be the only high speed service available in these markets.

We also expect additional competitors with satellite-based networks to begin operations soon. In particular, some satellite companies have announced that in the future they may offer high-speed Internet service at the same price or at a lower price than we currently intend to offer our services. If we are forced to lower our prices to compete with these satellite companies, our financial results will suffer. Many of our current and potential competitors have longer operating histories, greater brand name recognition, larger subscriber bases and substantially greater financial, technical, marketing and other resources than we do. Therefore, they may be able to respond more quickly than we can to new or changing opportunities, technologies, standards or subscriber requirements.

In addition, as a satellite technology provider, we face inherent limitations that our terrestrial competitors do not. For example, two-way, real-time games and voice over Internet Protocol telephony, available through cable modem and DSL broadband providers, do not work optimally on satellite-based systems such as ours and use significant amounts of our satellite capacity. If these Internet applications become popular, our subscriber base may decline because other access technologies work better with these applications. Additionally, satellite signals sometimes suffer from deterioration or interruption during inclement weather, or rain fade, while terrestrial connections generally are not so affected. If we are unable to compete effectively, our business will be harmed.

We are heavily dependent on our strategic partnership with Gilat for key network technology, hardware and software, and we may be significantly harmed if Gilat fails to meet our expectations or if our relationship with Gilat terminates or changes.

We depend on Gilat and its affiliates and suppliers for the satellite technology used to deliver our services. We have an agreement with Gilat pursuant to which they have agreed to provide us with the equipment, technology and services that we will use in our business. If we are not able to perform our obligations under our agreements with Gilat, or if Gilat is unable or fails to continue to sell us this technology under the current terms of our agreement, our ability to operate our network would be harmed.

Our future growth depends on a number of technological advances Gilat expects to attain over its existing satellite technology and which Gilat has agreed to license to us. These technological advances include:

- the development of software that we expect will enable us to optimize the allocation of subscribers across our leased satellite capacity and reduce our satellite capacity costs per subscriber;

- efficiency improvements relating to multicasting and future StarBand Carousel[SM] service features; and

- implementation of a next generation universal serial bus modem which we expect will lower our subscriber acquisition costs.

If Gilat does not meet our expectations regarding these technological advances, our financial condition and results of operations would be harmed.

We also depend on Gilat as our principal supplier for satellite networking components and hardware used to build and manage the network and offer our services. Gilat also depends upon a single manufacturer for all outdoor electronics. If we successfully execute our business plan and continue to expand our subscriber base, we expect to demand a significant quantity of goods over a short time period from Gilat, including all customer premises equipment. Gilat may be unable to

obtain an adequate supply of required components from its suppliers, or supply shortages of particular components may substantially curtail the production of any of the equipment that Gilat is obligated to provide under the supply agreement.

Gilat's principal offices, manufacturing and research and development facilities are located in the State of Israel. Gilat is directly affected by the political, economic and military conditions in Israel. Gilat's production is dependent upon components imported from outside of Israel and any major hostilities involving Israel or the interruption or curtailment of trade between Israel and its present trading partners could significantly harm Gilat's ability to meet its supply obligations to us.

If Gilat does not meet our demand for its products, for any reason, or if the terms of our agreements with Gilat change and we decide to pursue other strategic partners, it is unlikely that we would be able to find a replacement supplier without significant harm to our business operations. Similarly, our business model is substantially dependent on the pricing of the equipment we obtain from Gilat. Our supply agreement with Gilat provides for reviews of pricing at least every two years. If the prices of the equipment increase, we may not be able to pass these increases on to our subscribers and our operating results would be harmed.

We also depend upon Spacenet and its subsidiaries to provide us services that we require to run our business and operate the network we use to provide our service. In addition, we are not a licensee of the Federal Communications Commission, or FCC, and do not hold any authorization to operate satellite communications facilities. We depend upon licenses held by Spacenet and its subsidiaries for our satellite communications. If their licenses are limited or revoked, if the FCC limits the number of their customer premises earth stations or if they fail to operate the earth stations providing service to us and our subscribers in a satisfactory manner, our business could be seriously harmed.

Gilat resells transponders to StarBand

If we are unable to maintain or expand our retail distribution relationship with EchoStar, we could lose access to a substantial subscriber base.

On February 22, 2000, we entered into a memorandum of agreement with EchoStar, pursuant to which EchoStar has agreed to cooperate with us to sell our service directly to consumers through its retailers. The arrangement terminates on March 31, 2001. The parties are currently negotiating an extension of this agreement. If we do not extend this agreement, EchoStar will not be obligated to make its distribution channel available to us in the future. Our arrangement with EchoStar is not exclusive. EchoStar may stop co-marketing with us and begin marketing services that compete with ours, such as the service offering WildBlue Communications is developing. EchoStar has invested $50 million in WildBlue. We could lose our primary retail distribution channel, which in turn would harm our business, financial condition and results of operations.

If we are unable to maintain or expand our wholesale distribution relationship with Microsoft, our business would be harmed.

Microsoft agreed to purchase our products and network services on a wholesale basis as the means to deliver its MSNHigh Speed Internet portal via satellite, for a period of at least four years after our

completion of milestones under our agreement with them. We have not yet, and may never, complete these milestones. If we do not complete the milestones, Microsoft will not be required to purchase our products and network services and we may lose an important revenue stream, distribution channel and source of potential subscribers that we depend upon to implement our strategy. In addition, if we fail to complete the milestones, Microsoft would be permitted to sell its ownership stake in our company to Spacenet and we would lose the strategic and operational benefits associated with our strategic partnership with Microsoft. We are currently negotiating with Microsoft to amend this agreement, but there can be no assurance that we will be able to amend this agreement to our satisfaction, if at all.

We depend on third parties to provide critical satellite capacity and functionality to us. If we do not have continued access to sufficient and reliable satellite capacity, we may be unable to provide our services and our business would be harmed.

We currently lease, either directly or through Gilat, all of our satellite transponder capacity from third parties, including Loral Skynet and GE Americom. There is no assurance that these third parties will continue to provide the capacity and positioning we need on reasonable terms, or at all. If we are forced to change our satellite capacity providers, we would be forced to spend significant time and resources finding alternative providers and repointing antennas. In addition, while Spacenet has applied for the authority to communicate with Loral Skynet's Telstar 7 satellite, the Federal Communications Commission has not yet granted that authority. If we fail to receive this authority, we will be unable to fully implement our business plan and our business would be harmed.

If we achieve the substantial subscriber growth that we anticipate, we will need to procure additional satellite capacity. If we are unable to procure this capacity, we may be unable to provide service to our subscribers or the quality of service we provide may not meet their expectations.

We anticipate leasing satellite capacity on a hybrid Ku/Ka band satellite to be launched by a third party in the fourth quarter of 2002 which, if successful, will enable us to significantly lower our space segment costs on a per subscriber basis. At present, the satellite has not been built. Although we plan to operate with our next-generation hybrid StarBand satellite system by the fourth quarter of 2002, the launch of the hybrid satellite may be delayed or fail. If the satellite is not built, or if it does not work as anticipated, our business plan and results of operations will be harmed.

In addition, our ability to provide service is entirely dependent on the functionality of satellites on which we lease transponders. These satellites may experience failure, loss, damage or destruction from a variety of causes, including war, anti-satellite devices and collision with space debris. If this occurs, we are likely to suffer:

- permanent loss of service;
- temporary gaps in service availability; or
- decreased quality of service.

As a result, we could lose business and our operating results and financial condition would be harmed.

We depend on third parties for key ground equipment, software and services. If we do not have continued access to sufficient equipment, software and services, we may be unable to provide our services and our business would be harmed.

We rely on Channel Master, a leading manufacturer of satellite dish antennas in the U.S. marketplace, and other suppliers that Channel Master uses, to provide us with satellite antennas, mounts and consolidation services. We purchase all of our antenna and mount hardware from Channel Master, which also acts as our consolidator creating customer premises equipment kits for shipment to our

customers. Although we believe that there are alternative suppliers and consolidators for this equipment if we are not able to continue our relationship with Channel Master on terms attractive to us, it could take significant time and expense to establish new relationships with alternative suppliers or consolidators and substitute their technologies or equipment into our network and products.

We license software from third parties, including applications that are integrated with internally developed software and used in the customer premises equipment and equipment used in the network operations center. These technology licenses may not continue to be available to us on commercially reasonable terms, or at all, and we may not be able to obtain licenses for other existing or future technologies that we desire to integrate into our products. As a result, we may not be able to operate our business.

We rely on third-party independent contractors to install our customer premises equipment at new subscribers' homes. We may not have adequate control over the hiring, training, certification and monitoring of these installers. If growth of our new subscriber base outpaces growth of our installer base or if the installers fail to provide the quality of service that our customers expect, our business and reputation will be harmed.

If our products contain defects, we may be subject to significant liability claims from our subscribers and other users of our products and incur significant unexpected expenses and lost sales.

Our products are complex and may contain undetected errors or failures. If this happens, we

may experience delay in or loss of market acceptance and sales, product returns, diversion of research and development resources, injury to our reputation or increased service and warranty costs. We also have exposure to significant liability claims from our customers because our products are designed to provide critical communications services. Although we attempt to limit such exposure through product liability insurance and through contractual limitations in our customer agreements, such precautions may not cover all potential claims resulting from a defect in one or more of our products.

We may also seek indemnification from manufacturers of defective products, including Gilat, if we suffer losses as a result of the defective products. Our ability to recover our losses from a manufacturer is uncertain and would typically be limited to the replacement cost of the defective product. Even if we are able to recover these costs, there are additional substantial costs we will not be able to recover from any third party such as those associated with visiting each subscriber location to repair defective equipment or damage to our reputation in the consumer market. A defect in one or more of our products could significantly harm our business and financial condition.

Our success depends upon our ability to retain management and other key personnel and to attract additional skilled employees.

Our success depends in significant part upon the continued service of our senior management personnel including Yoel Gat, Zur Feldman and David Trachtenberg and other employees who possess technical knowledge of our operations. While we do not maintain any "key person" insurance, we have entered into employment agreements with some key employees. Our future success also depends on our ability to attract, train, retain and motivate highly skilled personnel. For example, we do not have a chief financial officer, but we are currently conducting a search for one. Competition for qualified, high-level telecommunications personnel is intense and we cannot assure you that we will be able to attract and retain such personnel. The loss of the services of one or more of our key individuals, or the failure to attract and retain additional key personnel, could harm our business.

Our principal stockholders and management own a significant percentage of our company, will be able to exercise significant influence over our company and may have interests that conflict with ours or our other stockholders.

Our executive officers and directors and principal stockholders together beneficially own 90.5% of our shares, and after completion of this offering will continue to own a substantial majority of our shares. Accordingly, these stockholders will be able to exert significant influence over the composition of our board

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of directors and all other matters requiring stockholder approval and will continue to have significant influence over our affairs. This concentration of ownership could have the effect of delaying or preventing a change in our control or otherwise discouraging a potential acquirer from attempting to obtain control of us, which may prevent our stockholders from realizing an attractive

return on their investment.

Gilat, EchoStar and Microsoft have substantial business operations and opportunities apart from our business. They may also develop different business objectives than ours. As a result, situations may arise in which their interests diverge from ours or our other shareholders. For example, we expect to be one of Gilat's largest customers for their technology, equipment and software. We will seek to purchase those items from Gilat at prices favorable to us, but Gilat will seek to sell those items to us at prices favorable to them. Similarly, we expect Microsoft and EchoStar to primarily target new customers for their MSN and DISH businesses by offering our high-speed Internet access in conjunction with their products, but we may wish to primarily focus on existing MSN and DISH subscribers as the greater opportunity to sell our service.

Our relationships with our principal stockholders keep us from seeking business opportunities with some of their competitors and may deter those competitors from doing business with us, which could harm our development.

To initiate our strategic partnerships and develop our relationships with Gilat, Microsoft and EchoStar, we agreed to refrain from dealing with a limited number of their competitors. We are currently negotiating to reduce the scope of these restrictions. Competitors of Gilat, Microsoft and EchoStar also may choose not to engage in commercial relationships with us because of our close relationship with these principal stockholders. Our limited ability to do business with some of the competitors of our principal stockholders, where that business might otherwise benefit our company, could reduce our ability to expand the scope and geographic reach of our services and could harm our development and profitability.

We may have underestimated our capital requirements for our continued operations, which may require us to seek substantial amounts of additional capital. If this additional capital is not available to us on acceptable terms, our business could be harmed.

We expect to need additional capital in order to:

- fund our planned rapid expansion;
- pursue customer sales;
- develop or enhance our service offering and implement new technologies;
- respond to competitive pressures; or
- promote our brand identity.

We may have underestimated the amount of capital that we will need. We developed our business model based upon a number of assumptions such as our ability to increase the number of subscribers per transponder to 20,000 subscribers. If this or any material assumption in our business model proves to be wrong, or if we failed to account for any material contingencies, our estimated capital requirements may be inadequate.

We may not be able to raise additional capital on terms acceptable to us, if at all. Financings may be on terms that are dilutive or potentially dilutive to our stockholders. If adequate capital is

not available on acceptable terms, we may be unable to fund our expansion, or respond to competitive pressures. Any inability to do so could have an adverse effect on our business, revenues, financial condition and results of operations.

The discretion of our management will be limited by covenants contained in the agreements governing our indebtedness and future debt instruments, and management may not be able to take actions that would otherwise benefit our company or stockholders.

The current agreements governing our indebtedness contain provisions that restrict us from doing certain things, including incurring additional indebtedness, exceeding stated limits on our aggregate capital expenditures, creating liens on our assets, making asset dispositions, conducting other business, and entering into transactions with affiliates and related persons without our creditors' consent. These covenants will limit our ability to finance future operations or capital needs or to engage in other business activities that our management might otherwise pursue. If we fail to comply with the obligations contained in the agreements, we may trigger default under the agreements, which could permit acceleration of the related debt, make additional financing unavailable to us and significantly harm our financial condition and results of operations.

Our dependence on third parties for our intellectual property puts us at risk if this intellectual property is not properly protected or infringes upon the rights of others.

Except for a series of StarBand marks, we rely on third parties including Gilat, Spacenet and Channel Master for most of the intellectual property employed in our network. If any of our suppliers fails to adequately protect their intellectual property or is found to be infringing on the intellectual property rights of other parties, our business may, in turn, be harmed.

Infringement claims could materially harm our business. From time to time, we may receive notice of claims of infringement of third parties' proprietary rights. The fields of telecommunications and Internet communications are filled with patents, both pending and issued. We may unknowingly infringe such a patent. We may be exposed to future litigation based on claims that the network technology infringes the intellectual property rights of others, especially patent rights. Someone, including a competitor, might file a suit with little merit, in order to harm us commercially, to force us to re-allocate resources to defending such a claim, or extract a large settlement. In addition, our employees might utilize proprietary and trade secret information from their former employers without our knowledge, even though we prohibit these practices. Any litigation, with or without merit, could be time consuming to defend, result in high litigation costs, divert our management's attention and resources or cause us to delay deployment of related technology. A jury or judge may decide against us even if we had not in fact infringed. If we lose or are forced to settle, we could be required to remove or replace allegedly infringing technology, to develop non-infringing technology or to enter into royalty or licensing arrangements. These royalty or licensing arrangements, if required, may not be available on terms acceptable to us, or at all.

Globecomm Systems, Inc. commenced a lawsuit against us alleging the willful infringement of

their U.S. patent relating to a particular means for transferring communications signals between a remote terminal and a network operations center via satellite. We have not yet filed an answer to the complaint of Globecomm. We will answer the complaint and vigorously contest the claims made by Globecomm.

In addition, Hughes Electronics Corporation commenced a lawsuit against Gilat and Spacenet concerning, among other things, a patent for personal computer based receiver cards that Gilat sells to us for use as part of our service offering to consumers. Gilat and Spacenet have filed motions for partial summary judgment on the issue of patent claim construction and the court has scheduled a hearing on these motions for November 20, 2000. Although we are not a party to this litigation, if Hughes prevails, we could lose access to equipment and technology that is critical to our business.

The outcome of these lawsuits is inherently uncertain. Patent litigation is highly complex, diverts the efforts of management and can extend for a protracted period of time. Accordingly, the expense and diversion of resources associated with these matters could harm our business and financial condition. We do not have insurance that would indemnify us for any liability that may be imposed in connection with the legal actions described above. Accordingly, if any of these events occur, it could result in a substantial reduction in our revenue and could result in losses over an extended period of time.

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Risks Related to Our Industry

If we fail to remain competitive with rapid technological advancements, our business will be harmed.

The high-speed Internet access industry is subject to rapid technological change, frequent new service introductions and evolving industry standards. We believe that our future success will depend largely on our ability to anticipate or adapt to such changes and to offer, on a timely basis, services that meet evolving standards. We cannot predict the extent to which competitors using existing or currently undeployed methods of delivery of Internet access services will compete with our services. Existing, proposed or undeveloped technologies could render our satellite-based network less profitable or less viable than contemplated in our current business plan. In addition, we may not be able to acquire new technologies or respond to technological changes in a timely and cost effective manner. If we cannot keep our technology competitive, we may not be able to implement our business plan.

A system failure or breach of network security at our ground facilities could cause delays or interruptions of service to our subscribers and could result in liability, damage our brand image, lead to a loss of subscribers and result in a significant decrease of revenues.

Our operations depend on our ability to support our terrestrial service infrastructure and avoid damage from fires, earthquakes, hurricanes, floods, power losses, excessive sustained or peak user demand and similar events. The occurrence of a natural disaster or other unanticipated problems at

the network operations centers could cause interruptions in the services we provide. Any damage or failure that causes interruptions in our operations could materially and adversely affect our business, operating results and financial condition.

Our network may be vulnerable to unauthorized access, computer viruses and other disruptive problems. Providers of Internet services have in the past experienced, and may in the future experience, interruptions in service as a result of accidental or intentional actions of Internet users, current and former employees and others. Other technologies similar to our own have been subject to service outages. The consequence of these interruptions in service may be that some subscribers terminate our service and that some potential subscribers reject our service. Moreover, we may be required to give discounts to subscribers who experience service interruption. Interruptions of service may therefore result in decreased revenues and subscriber base. Eliminating computer viruses and alleviating other security problems, including problems created by one of our employees or a vendor's employee, may require interruptions, delays or cessation of service to our subscribers.

Unauthorized access could harm our business, and always-on Internet services, such as ours, may be subject to additional security risks which could cause us to lose existing subscribers, deter potential subscribers and harm our reputation.

Unauthorized access could potentially jeopardize the security of confidential information stored in the computer systems of our subscribers, which might cause our subscribers to bring liability claims against us and also might deter potential subscribers from using our services. Since our services allow subscribers to be connected to the Internet at all times, unauthorized users may have a greater ability to access information stored in our subscribers' computer systems. Always-on Internet services may give unauthorized users, or hackers, more and longer opportunities to break into a subscriber's computer or access, misappropriate, destroy or otherwise alter data accessed through the Internet. We are currently working to implement data security systems that are designed to protect a subscriber's computer from unauthorized access through the Internet, but we cannot ensure that the security risks will be eliminated.

We may be subject to liability for information retrieved and replicated through our network.

Because subscribers will download and redistribute material and we may cache or replicate material in connection with our services, claims may be made against us for defamation, or other theories based on the nature and content of such materials. These types of claims have been brought, and sometimes

successfully litigated, against online service providers in the past. Although we carry general liability insurance, our insurance may not cover potential claims of the these types, or may not be adequate to indemnify us for all liability that may be imposed. Any imposition of liability that is not covered by insurance or is in excess of insurance coverage could have a material adverse effect on our business, operating results and financial condition.

We depend on FCC-regulated and other licenses to operate our network.

We depend upon licenses granted to Spacenet and its subsidiaries by the FCC. These licenses are subject to renewal as determined by the FCC. Major changes in operations or facilities require modifications to the FCC licenses, which must be approved by the FCC. If the FCC does not renew these licenses as their initial terms expire or does not approve any modifications needed for changes in the services provided to support our operations, we may be unable to operate our system or implement our business plan.

The FCC granted the licenses for the two smallest remote user antennas, measuring 0.96 meters and 0.75 meters on a conditional basis for use in up to 20,000 locations pending the outcome of a public proceeding concerning the type of network access scheme used by many satellite data networks. If the outcome of the proceeding is unfavorable and Spacenet or any of its subsidiaries is required to modify the remote user antennas or any new facilities, our business plan will be harmed.

A subsidiary of Spacenet has filed an application with the FCC to increase the number of remote user locations that Spacenet may operate. That application also seeks authority for communications with Telstar 7. The FCC may not approve both or either parts of this application. If either part of this application is denied by the FCC, our ability to grow our business will be significantly harmed because we depend on our ability to increase the number of subscribers for our service in order to successfully implement our business plan.

State and local zoning ordinances restricting the installation of satellite antennas might also reduce market demand for our service. Either the FCC or state or local authorities may increase regulation regarding the potential radiation hazard posed by transmitting earth station satellite antennas' emissions of radio frequency energy.

Additionally, FCC regulations may prevent us from choosing our business partners or restrict our activities as an Internet service provider. For example, the FCC may decide that high-speed data networks used to provide access to the Internet should be made available generally to Internet service providers and we may therefore be required to provide our wholesale service to any Internet service providers that request it, including entities that compete with us and with MSN.

If the FCC imposes additional obligations on us such as these, we would be forced to comply with potentially costly requirements and limitations on our business activities. This could significantly harm our financial condition and results of operations.

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Risks Related to the Offering and the Price of Our Shares

There has been no prior market for our shares and an active trading market for our shares may not develop.

Prior to this offering, there has been no public market for our shares. We can give no assurance that an active trading market for our shares will develop or, if developed, be sustained following the closing of this offering. If an active trading market is not developed or maintained, the liquidity and trading price of the shares could be adversely affected. The offer price, which may bear no relationship to the price at which the shares will trade upon completion of this offering, will be determined by negotiations between the representatives of the underwriters and us, based upon factors that may not be indicative of future market performance.

So, what's the real game here?

New investors will incur immediate and substantial dilution.

Shares purchased in this offering will incur immediate and substantial dilution in net tangible book value of $ per share assuming an initial public offering price equal to the mid-point of the estimated offering price range. To the extent that currently outstanding options or warrants are exercised or converted, there will be further dilution to your shares. As a result of this offering, our existing stockholders will enjoy an aggregate unrealized gain of $.

The trading market price of our stock may decline as a result of substantial sales of our common stock after the offering.

shares of our common stock held by our existing stockholders will become freely tradable in the public market 180 days after this offering. The market price of our common stock could fall in response to sales of a large number of shares of our common stock in the market after this offering or in response to the perception that sales of a large number of shares could occur. In addition, such sales could create the perception to the public of difficulties or problems with our products and services. As a result, these sales also might make it more difficult for us to sell equity or equity-related securities in the future at a time and price that we deem appropriate. For a more detailed discussion of shares eligible for sale after the offering, see "Shares Eligible for Future Sale."

In addition, some of our current stockholders have "demand" and "piggyback" registration rights in connection with future offerings of our common stock. "Demand" rights enable the holders to demand that their shares be registered and may require us to file a registration statement under the Securities Act at our expense. "Piggyback" rights provide for notice to the relevant holders of our stock if we propose to register any of our securities under the Securities Act, and grant such holders the right to include their shares in the registration statement. All holders with registrable securities have agreed not to exercise their registration rights until 180 days following the date of this prospectus without the consent of Merrill Lynch, Pierce, Fenner & Smith Incorporated.

The market price for our common stock will likely be volatile and you may suffer a loss on your investment.

The stock market has experienced significant price and trading volume fluctuations, and the market prices of technology companies generally, and Internet-related companies particularly, have been extremely volatile. Recent initial public offerings by technology companies have been accompanied by exceptional share price and trading volume changes in the first days and weeks after the securities were released for public trading. Investors may not be able to resell their shares at or above the initial public offering price. In the past, following periods of volatility in the market price of a public company's securities, securities

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class action litigation has often been instituted against that company. Such litigation could result in substantial costs to us and a diversion of our management's attention and resources.

The market price may vary in response to any of the following factors:

- changes in financial estimates or investment recommendations relating to our stock by securities analysts;
- changes in market valuations of similar Internet operations and services businesses; and
- fluctuations in the stock market price and volume of traded shares generally, especially fluctuations in the traditionally volatile technology sector.

In addition, an active public trading market may not develop or be sustained after this offering. If an active and liquid trading market does not develop, you may have difficulty selling your shares.

Provisions of our charter documents and Delaware law could deter takeover attempts that may offer you a premium, which could adversely affect our stock price.

Provisions of our charter documents and Delaware law make acquiring control of us without the support of our board of directors difficult for a third party, even if the change of control would be beneficial to you. The existence of these provisions may deprive you of an opportunity to sell your shares at a premium over the prevailing market price for our common stock. The potential inability of our stockholders to obtain a control premium could adversely affect the market price for our common stock.

Because stockholders do not have the ability to require the calling of a special meeting of stockholders and are subject to timing requirements in submitting stockholder proposals for consideration at any annual meeting, any third party takeover not supported by the board of directors would be subject to significant delays and difficulties.

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FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements. These forward-looking statements are not historical facts, but rather are based on our current expectations, estimates and projections about our industry, our beliefs and assumptions. Words such as "anticipates," "expects," "intends," "plans," "believes," "seeks," "estimates," "projects," "may," "will," "should," "could," "pending,"

"potential," "predicts" and similar expressions are intended to identify forward-looking statements. These forward-looking statements include, without limitation, statements about our market opportunities, strategies, competition, expected activities and expenditures as we pursue our business plan. These statements are not guarantees of future performance and are subject to risks, uncertainties and other factors, some of which are beyond our control, are difficult to predict and could cause actual results to differ materially from those expressed or forecasted in the forward-looking statements. Many factors could cause our actual results, performance or achievements to be materially different from any future results, performance or achievements that may be expressed or implied by these forward-looking statements, including:

- any failure of the satellite communications network delivering our service to perform adequately or claims by customers for errors in our products;
- the loss of one of our strategic partners;
- the loss of satellite capacity;
- the loss of the right to use proprietary technology and any third-party claims against us for infringement;
- difficulty in raising additional capital funds;
- our inability to manage effectively our potential rapid growth;
- our failure to develop new channels to sell our products or to successfully compete in our chosen markets or to expand into new markets;
- unanticipated downturns in the markets for high-speed Internet access; and
- our inability to achieve positive operating results.

These factors are not exhaustive. Factors that could cause our actual results, performance or achievements to differ include, but are not limited to, those discussed in "Risk Factors." Given this level of uncertainty, you should not place undue reliance on these forward-looking statements, which speak only as of the date of this prospectus.

OTHER RELEVANT INFORMATION

We use market data and industry forecasts throughout this prospectus, which we have obtained from internal surveys, market research, publicly available information and industry publications. Industry publications generally state that the information they provide has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information is not guaranteed. Similarly, we believe that the surveys and market research we or others have performed are reliable, but we have not independently verified this information. Neither we nor any of the underwriters represents that this information is accurate.

USE OF PROCEEDS

We estimate that we will receive net proceeds from the sale of shares in this offering of approximately $ million, based on an assumed offering price of $ per share and after deducting the underwriting discounts and commissions and estimated offering expenses payable by us. If the underwriters' over-allotment option is exercised in full, we estimate that we will receive net proceeds from this offering of approximately $ million.

We intend to use these net proceeds:

- to fund the continued growth of our business and operations and expand our subscriber base; and
- to the extent remaining, for general corporate and working capital purposes.

Pending the uses described above, we intend to invest the net proceeds to us from the offering in short-term, investment-grade, interest-bearing securities. We cannot predict whether the proceeds will be invested to yield a favorable return.

DIVIDEND POLICY

We have not previously paid any cash or other dividends with respect to our common stock. We do not expect to pay any dividends on our common stock for the foreseeable future. We currently intend to retain earnings, if any, to finance the operations of our business. In addition, our bank credit facility limits our ability to pay cash dividends on our common stock. Our board of directors will decide from year to year whether dividends will be paid based on factors such as our results of operations, general business conditions, capital requirements, overall financial condition and any other factors that the board considers relevant.

We have accrued non-cash preferred dividends of $12.7 million on all convertible preferred shares of stock issued. These dividends will be paid in kind in additional shares of convertible preferred stock which will automatically convert into common stock upon consummation of the offering.

CAPITALIZATION

The following table sets forth our capitalization as of August 31, 2000 on:

- an actual basis;

- a pro forma basis after giving effect to the automatic conversion of all outstanding shares of convertible preferred stock and accrued dividends thereon into 54,228,893 shares of common stock; and

- a pro forma as adjusted basis to reflect our sale of shares of common stock at an assumed initial public offering price of $ per share, after deducting underwriting discounts and commissions and estimated offering expenses payable by us.

The unaudited pro forma and pro forma as adjusted amounts exclude the effects of the issuance of 5,449,220 shares of common stock pursuant to exercise of outstanding stock options; 1,873,477 and 1,910,947 shares of common stock issuable upon the exercise of warrants or rights to purchase Series C and Series D mandatorily redeemable convertible preferred stock, respectively; and warrants to purchase 116,000 shares of common stock issued to third parties. Except for rights to purchase Series D mandatorily redeemable preferred stock, none of the outstanding stock options or warrants to purchase our stock were exercisable at August 31, 2000. You should read this table in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the financial statements and related notes included elsewhere in this prospectus.

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	As of August 31, 2000		
	Actual	Pro Forma	Pro Forma As Adjusted
	(in thousands, except share data)		
Cash and cash equivalents	$ 68,303	$ 68,303	$
Restricted cash and cash equivalents	90,559	90,559	
Total	$158,862	$ 158,862	$
Term loan at face value	$ 90,000	$ 90,000	$
Mandatorily redeemable convertible preferred stock:			
Series A, A-1, A-2, B, C, and D mandatorily redeemable convertible preferred stock, $.05 par value; 12% cumulative dividends:			
Series A; 55 million shares authorized; 49,228,259, actual and 0 pro forma and pro forma as adjusted shares issued and outstanding, plus accrued dividends	51,494	—	
Series A-1; 55 million shares authorized; 49,228,259, actual and 0 pro forma and pro forma as adjusted shares issued and outstanding, plus accrued dividends	51,526	—	
Series A-2; 30 million shares authorized; 24,686,284, actual and 0 pro forma and pro forma as adjusted shares issued and outstanding, plus accrued dividends	25,839	—	
Series B; 150 million shares authorized; 140,111,199, actual and 0 pro forma and pro forma as adjusted shares issued and outstanding, plus accrued dividends	14,011	—	
Series C and D; 10 million shares authorized each; none issued and outstanding for actual, pro forma or pro forma as adjusted shares issued and outstanding	—	—	—
Total mandatorily redeemable convertible preferred stock	142,870	—	—
Stockholders' (deficit) equity:			
Common stock, $.05 par value; 110 million shares authorized; 33,879,757 actual, 88,108,650 pro forma, and pro forma as adjusted shares issued and outstanding, respectively	1,694	4,405	
Additional capital	17,463	157,622	
Deferred compensation	(7,952)	(7,952)	
Deficit accumulated during development stage	(87,975)	(87,975)	
Total stockholders' (deficit) equity	(76,770)	66,100	—
Total capitalization	$156,100	$ 156,100	$

33,879,757 common stock resulting from automatic conversion of all outstanding convertible preferred stock and accrued dividends. [p. 207]
+ 54,228,893
88,108,650

DILUTION

If you invest in our common stock, your interest will be diluted to the extent of the difference between the public offering price per share of our common stock and the pro forma as adjusted net tangible book value per share of our common stock after this offering. Our pro forma net tangible book value as of August 31, 2000 was $46,822,456, or $0.53 per share of common stock. Pro forma net tangible book value per share represents the amount of total tangible assets less total liabilities, divided by the number of shares of common stock outstanding, after giving effect to the conversion of all outstanding shares of preferred stock and accrued dividends thereon into 54,228,893 shares of common stock upon consummation of this offering. Assuming the sale by us of shares of common stock in this offering at an assumed initial public offering price of $ per share, our pro forma net tangible book value as of August 31, 2000 would have been $, or $ per share of common stock. This represents an immediate and substantial increase in net tangible book value of approximately $ per share to existing stockholders and an immediate and substantial dilution of approximately $ per share to new investors purchasing the shares in this offering. The following table illustrates the per share dilution:

Assumed initial public offering price per share		$
Pro forma net tangible book value per share as of August 31, 2000	$0.53	
Increase per share attributable to new investors		
Pro forma as adjusted net tangible book value per share after this offering		
Dilution per share to new investors		$

The following table summarizes, on a pro forma basis as of August 31, 2000, the number of shares of common stock (including all shares of convertible preferred stock, which will be converted into 54,228,893 shares of common stock upon the closing of the offering) purchased from us, the total consideration paid to us and the average price per share paid by existing stockholders and by new investors. The information presented is based upon an assumed initial public offering price of $ per share for shares purchased in this offering, before deducting the underwriting discounts and commissions and estimated offering expenses:

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	Shares Purchased		Total Consideration		Average Price Per Share
	Number	Percent	Amount	Percent	
Existing stockholders	~~54,228,893~~ ~~88,108,650~~	61.5 %	$126,000,000	%	$ 1.43
New investors	33,897,757	38.5			
Total	88,108,650	100.0%	$	100.0%	

The discussion and tables above exclude:

- 1,873,477 and 1,910,947 shares of common stock issuable upon the exercise of warrants and rights to purchase Series C and D mandatorily redeemable convertible preferred stock, respectively, and assumed immediate conversion thereof into common stock with a weighted average exercise price of $4.49 per share;

- 116,000 shares of common stock issuable upon the exercise of warrants issued to various third parties with a weighted average exercise price of $2.50; and

- shares of common stock issuable if the underwriters exercise their over-allotment option in full.

At August 31, 2000, we had 2,550,780 shares of common stock available for future issuance under our stock plans through December 31, 2000 plus an additional 15,000,000 shares of common stock available for issuance effective January 1, 2001.

To the extent these options and warrants are exercised, there will be further dilution to the new investors. If the underwriters' over-allotment option is exercised in full, the number of shares held by new investors will increase to shares, or % of the total number of shares of common stock outstanding after this offering.

SELECTED FINANCIAL INFORMATION

In the table below, we provide you with selected historical financial data of StarBand Communications Inc. We have prepared this information using the financial statements of StarBand Communications Inc. for the period from January 11, 2000 (inception) to August 31, 2000. These financial statements have been audited by Ernst & Young LLP, independent auditors.

When you read this selected historical financial data, it is important that you read along with it the historical financial statements and related notes, as well as the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations."

	Period from January 11, 2000 (inception) through August 31, 2000
	(in thousands, except for share and per share data)
Statement of Operations Data:	
Revenues:	
Internet access	$ 3
Customer premises equipment and installation	4
Total revenues	7
Costs and expenses:	
Network	4,149
Customer premises equipment and installation	22,707
Sales and marketing	14,822
General and administrative (exclusive of non-cash compensation expense shown below)	25,862
Non-cash compensation	301
Depreciation	742
Total costs and expenses	68,584
Loss from operations	(68,577)
Non-operating income, net	1,728
Loss before provision for income taxes	(66,848)
Provision for income taxes	—
Net loss	(66,848)
Preferred stock dividends and accretion	(15,245)
Net loss attributable to common stockholders	$ (82,094)
Basic and diluted loss per share	$ (4.06)
Shares used in the calculation of basic and diluted loss per share	20,232,428

	As of August 31, 2000
	(in thousands)
Balance Sheet Data:	
Cash and cash equivalents	$ 68,303
Restricted cash and cash equivalents	90,559
Total	158,862
Working capital	32,602
Total assets	196,512
Total debt	81,089
Total mandatorily redeemable convertible preferred stock	142,870
Total stockholders' deficit	(76,770)

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion and analysis in conjunction with "Selected Financial Information" and the financial statements and related notes included elsewhere in this prospectus. This discussion contains forward-looking statements that involve risks and uncertainties. See "Forward-Looking Statements." Our actual results could differ materially from those discussed here. Factors that could cause or contribute to such differences include those discussed in "Risk Factors" as well as those discussed elsewhere in this prospectus.

Overview

StarBand is the first nationwide provider of two-way, always-on, high-speed Internet access via satellite to residential and small office/home office customers. We were founded on January 11, 2000 by Spacenet Inc., a wholly owned subsidiary of Gilat, and began offering our services in April 2000. Since our inception we have:

- entered into distribution agreements with Microsoft and EchoStar;
- deployed and tested our scalable nationwide consumer satellite network;
- installed and tested more than 9,000 StarBand systems at test locations with pilot program participants and retail distributors, including approximately 4,700 residential and home office consumer locations, 1,600 DISH retailer locations and 3,600 RadioShack stores;
- trained over 8,000 third-party installers;
- raised $126 million of equity financing and also arranged debt financing;
- leased 23 transponders on existing satellites; and
- hired over 127 employees.

Elsewhere in this document they say 20,000 subscribers/transponder, therefore this this represents capacity for: 460,000 subscribers

We have successfully completed pilot testing our network and are launching our service nationwide in the fourth quarter of 2000. We will initially offer our branded retail service through EchoStar, and co-branded wholesale service with Microsoft for distribution at RadioShack stores.

We have only a limited operating history upon which you can evaluate our prospects and have experienced net losses of approximately $66.8 million since our inception in January 2000. We expect that we will continue to incur net losses over at least the next few years as we continue to incur substantial subscriber acquisition costs, develop our sales and marketing and administrative organizations, expand our product offerings and experience continued depreciation charges relating

to the network infrastructure. We cannot assure you that we will achieve or sustain profitability or positive cash flow from operations.

Our future financial performance and our ability to achieve positive operating cash flow will depend on a number of factors, some of which we cannot control. We believe that improvements in our financial performance depend largely on our ability to:

- build our subscriber base rapidly and cost-effectively;
- provide reliable and high-quality services at competitive prices;
- offer additional high-margin value-added content delivery services;
- develop and implement technology to improve our satellite capacity cost per subscriber;
- attract qualified personnel;
- reduce cost and increase the volume of subscribers per transponder with next-generation technology;
- minimize subscriber turnover; and

- identify and integrate the necessary administrative and operations support systems, including installation and customer care, to manage our growth effectively.

Revenues

We expect to derive most of our revenues for the foreseeable future from monthly Internet access fees paid by our subscribers and from fees paid by MSN or others for our wholesale service. We will also receive revenue from the sale of our customer premises equipment. In the future, we also expect to derive revenues from value-added content delivery services, such as the sale of music, movies, software and other rich media content through our multicast service.

We are currently offering our network services through both retail and wholesale channels to maximize our ability to take advantage of our first-to-market presence to rapidly acquire subscribers. The retail channel generates higher revenue streams per user than the wholesale channel. Our wholesale channel provides us additional scale for our business while minimizing the subsidies and other costs of subscriber acquisition.

Retail Channel. Upon our commercial launch in the fourth quarter of 2000, we will sell our services directly to retail subscribers, typically with a minimum one-year contract term. These subscribers will pay monthly fees for the service, initially ranging from $59.99 to $69.99, which we anticipate will decrease over time as high-speed Internet access alternatives become more widely

available. Typically, retail StarBand subscribers must purchase the customer premises equipment for an initial suggested retail price of $399, including the antenna, the modem and all necessary hardware. This price reflects a substantial subsidy from us.

Wholesale Channel. In the wholesale channel, the reseller purchases the customer premises equipment from us. The wholesale price is initially lower than our cost for the equipment, though we expect our cost to decrease due to volume discounts. We also charge an additional fee for network services, second-level technical support and other optional services if requested by the reseller. Our first wholesale partner, MSN, purchases the customer premises equipment at a price starting at $1,100 per unit, which we expect to decline pursuant to our agreement with them. This agreement provides for pricing of network services that we will provide to MSN which will generate losses. We believe these losses will decrease as our network services costs per subscriber decrease. We view these early stage losses as an investment in building a large subscriber base with our strategic investor, and we intend to sell value-added services to these subscribers from which we expect to generate higher-margin revenues.

Costs and Expenses

Network. Our network expense is primarily a function of satellite capacity expenses which consist of satellite transponder lease payments and network operations costs such as hardware depreciation, telecommunications costs and personnel expenses related to our customer support center. We believe that the type of satellite capacity we use generally ranges in cost from $150,000 to $200,000 per month per transponder. We are negotiating the terms of leases for our satellite capacity and expect to obtain lease rates at or below the bottom of this range.

We estimate that we can currently support approximately 7,500 subscribers per satellite transponder. Our goal is to increase the number of subscribers per transponder to approximately 20,000 through the implementation of software upgrades currently under development. We will continue to add satellite capacity as necessary to meet the bandwidth requirements of additional StarBand network subscribers. As we acquire transponder capacity to prepare for additional subscribers, we may be forced to lease capacity some time prior to our need for such capacity. These leases would be subject to availability in the open market at potentially less favorable prices.

Customer Premises Equipment and Installation. In the retail channel, we are heavily subsidizing the retail consumer price of the customer premises equipment. We expect that over time, the customer premises equipment subsidy will decrease substantially as the cost of the equipment to us decreases due to volume discounts and improvements and efficiencies in the technology. We have negotiated an agreement

with Gilat to purchase customer premises equipment. Our agreement with Gilat contains milestones that reduce the price we pay per unit as the total number of units we purchase exceeds specified levels. We therefore expect our costs to decrease over time. In the wholesale channel, we are presently subsidizing limited quantities of customer premises equipment to MSN. In the future, we

expect to provide little or no customer premises equipment subsidy to MSN or any other wholesale channels. Periodically we may offer free or subsidized installations to new customers as part of sales promotions or discounts aimed at acquiring new subscribers.

Sales and Marketing. These expenses consist primarily of in-store retailer demonstration units, sales personnel costs, trade shows, distributor training, advertising, branding, market research, promotional literature and other public relations expenses. Much of our sales and marketing expenses for the current period are due to marketing campaigns to provide in-store retailer demonstration units. In late 2000, we will begin to incur marketing expenses associated with our nationwide service launch. Marketing, branding-related and sales expenses will rise for the foreseeable future as we expand our sales and marketing organization and aggressively pursue our targeted marketing campaign. We will continue to grow our sales and marketing infrastructure to improve the rate and efficiency of subscriber acquisition. We anticipate that the activation fees and/or commissions that we pay to our retail distribution partners that generate new subscribers will range from $100 to $300 per subscriber. In addition to the activation fees, we anticipate that some retail distributors will receive ongoing royalties of $1 to $3 per subscriber per month so long as the subscriber uses our services.

General and Administrative. These expenses consist of salaries and benefits for our administration, executive, finance, legal, and human resources departments, including their associated overheads, as well as outside accounting and legal expenses and depreciation of fixed assets. Many general and administrative services are provided to us by Gilat and Spacenet, including information technology, office space and legal, finance and human resources services. For operational reasons during our development stage, all of our employees were leased from Spacenet. Substantially all of these personnel will be transferred to our direct payroll and no longer be leased from Spacenet prior to the end of 2000.

We expect the general and administrative expenses that we pay to Gilat and Spacenet will decrease over time as we develop our own internal administration and other resources. We believe our payments to Gilat and Spacenet for general and administrative assistance payments approximate the actual costs incurred by Gilat and Spacenet to provide those services to us. We also expect that our general and administrative expenses as a whole will increase over time and possibly exceed revenues for some time as we establish and expand our administrative infrastructure to meet the demands of our personnel and our growing subscriber base.

Non-Cash Compensation. These costs are primarily attributable to stock options granted to employees below fair market value and the fair value of options and warrants granted to third parties, including consultants, leased employees and others. The vesting period for the majority of the options is four years. We expect non-cash compensation expense to increase substantially in future periods as options which were granted at below fair market value continue to vest over the vesting period of the options granted through August 31, 2000 due to the large number of options granted in late August for which very little amortization has been expensed. In the future, StarBand intends to issue options at fair market value in order to minimize non-cash compensation expense.

Our Accounting for Revenues, Costs, Expenses and Subscriber Acquisition Costs

We consider the sale of customer premises equipment, related installation and monthly Internet access to be a multi-element, single arrangement with our subscribers. Total revenue from the subscriber arrangements are recognized as earned on a straight-line basis over the service period,

which is the shorter of the contractual term of the subscription period or expected subscription period. We generally begin recognizing revenues on subscriber arrangements upon activation of Internet access. Some service contracts include cancellation clauses which permit the subscriber to cancel the service without substantial penalty

during the initial service period. We defer revenue from those contracts and recognize it on a straight-line basis over the service period remaining after the risk-fee cancellation period.

The connection of the subscriber to our network requires that certain equipment, such as customer premises equipment, be installed at the subscribers' location. The cost of customer premises equipment and installation are generally capitalized and related revenues are deferred. These costs and revenues are recognized on a straight-line basis over the service period. The cost of this equipment generally exceeds the amount that is charged to the subscriber. We are currently expensing the excess of costs over deferred revenue as the realization of future cash flows is not assured due to our lack of sufficient operating history. This accounting policy conforms with Staff Accounting Bulletin No. 101. See "—Recent Accounting Pronouncements."

In our industry, subscriber acquisition costs are an important measure of the efficiency with which subscribers are added to the network. Our subscriber acquisition costs will consist of customer premises equipment subsidies together with activation fees and sales commissions which we report as part of sales and marketing. We expect our subscriber acquisition costs will decrease over time as hardware subsidies decrease. We anticipate that we will not incur subscriber acquisition costs in the wholesale channel.

Results of Operations from January 11, 2000 (Inception) through August 31, 2000

Our inception period operating results set forth in our financial statements that appear elsewhere in this prospectus are not indicative of our future operations, as substantially all subscribers were participants in our pilot program and were not required to pay a significant amount, if any, for monthly access, customer premises equipment or installation.

Does the FCC pilot license allow StarBand to charge for services?

Revenues

Our total revenues for the period from inception through August 31, 2000 were $6,945, attributable to the ratable recognition of fees associated with customer premises equipment, installation and monthly access services for installed subscribers whose cancellation period has expired. During this period, pursuant to our accounting policies, we deferred revenues of $1.7 million, derived almost entirely from the sales of customer premises equipment to customers purchasing service through the EchoStar retail channel and a small number of customers from other pilot groups. The absence of significant revenues from monthly Internet access fees is a reflection of the pilot program currently in place that gives subscribers a number of months of free service prior to the start of their commercial service and our deferral of revenues. We expect to begin receiving monthly access fees in the fourth quarter of 2000 or the first quarter of 2001.

Costs and Expenses

Network. Our network expense was $4.1 million for the period ended August 31, 2000. This amount was attributable to our satellite capacity expenses, network operations costs including hardware depreciation, telecommunications costs and personnel expenses related to our customer support center.

Customer Premises Equipment and Installation. Customer premises equipment costs, including subsidies, for the period ended August 31, 2000 were $19.8 million. These costs were unusually high on a per subscriber basis due to our packaging of a personal computer with the antenna for all pilot subscribers, and due to our inability to achieve volume-related price discounts for our equipment purchases. We also consider installation costs as a component of our customer premises equipment expense. During our pilot program we heavily subsidized installation costs for our pilot subscribers. A significant component of our installation costs was the cost of training third parties to install our customer premises equipment. The total costs for installation services were $2.9 million for the period ended August 31, 2000.

Sales and Marketing. Our sales and marketing expenses were $14.8 million for the period ended August 31, 2000. These expenses reflect significant personnel-related expenses such as salaries for sales and marketing personnel and commissions, recruiting fees and other costs of hiring, as well as a significant cost to provide and install several thousand in-store retailer demonstration units.

General and Administrative. Our general and administrative expenses were $25.9 million for the period ended August 31, 2000. These expenses primarily consist of salaries to our executive employees, and payment for services provided directly to us by Gilat, Spacenet and their employees. Services provided directly to us by Gilat, Spacenet and their employees made up approximately $14.3 million, or 51% of the total general and administrative costs and included expenses and/or fees for sales, marketing, engineering, information systems, logistics and accounting and legal activities performed for or on our behalf.

Non-Cash Compensation. Non-cash compensation expense through August 31, 2000 was $0.3 million, attributable to the portion of the deferred compensation amortized in the period. Non-cash compensation expense is accrued for stock options granted to employees, non-employees and third parties, and then amortized over the vesting period of the options.

Interest Income

Net interest income for the period was $1.7 million. Interest expense of $1.6 million was offset by interest income of $3.3 million. Interest income was due to interest earned on equity funds and on the proceeds of the funds in a restricted bank account.

Net Loss

Due to the foregoing, we had a net loss of $66.8 million for the period ended August 31, 2000. Our net loss attributable to common stockholders was $82.1 million, or $4.06 per share. Our pro forma net loss and net loss attributable to common stockholders was $66.8 million for the period ended August 31, 2000, or $1.23 per share.

Liquidity and Capital Resources

Our principal capital requirements to date have been to fund:

- working capital needs;
- our pilot program testing of our network;
- sales and marketing;
- administrative infrastructure; and
- capital expenditures.

We have funded our liquidity needs during the period from inception through August 31, 2000 through a combination of funds provided by private equity placements and revenues generated from our limited operations to date. Net cash used for operating activities for the period ended August 31, 2000 was $48.2 million. Our use of cash for operating activities was primarily associated with the acquisition of customer premises equipment inventory, deferred charges for customer premises equipment installed at subscriber sites, prepaid fees for transponder capacity, sales and marketing, and the purchase of services from Gilat and Spacenet. For the period from January 11, 2000 (inception) through August 31, 2000 we incurred approximately $95.0 million of reimbursable expenses and capital expenditures for equipment supplied and services rendered to us by Gilat and Spacenet. As of August 31, 2000, we have paid approximately $38.7 million to Spacenet and approximately $20.0 million to Gilat for such costs and expenses. We have accrued the remaining $36.3 million we owe to Spacenet and Gilat at August 31, 2000 and are required to pay this amount in October 2000.

Net cash used in investing activities for the period ended August 31, 2000 was $99.1 million. This amount includes $89.6 million from the proceeds of the issuance of long-term debt, which was placed in a restricted account pursuant to the terms of the debt and is reflected in our financial statements in "restricted cash and cash equivalents." The balance of $9.5 million was used in the purchase of capital assets, including enterprise resource planning software and customer premises equipment.

Net cash flows from financing activities for the period ended August 31, 2000 were $215.6 million, consisting of $126.0 million from sales of common and preferred stock and $89.6 million from net proceeds

of bank loans. We have a senior debt facility of $90.0 million with Bank Leumi USA, maturing in June 2003 with interest at LIBOR plus 75 basis points, equivalent to 7.5625% at August 31, 2000, payable quarterly and with a principal balloon upon maturity. The funds drawn under this facility are reflected in our financial statements in "restricted cash and cash equivalents." On September 8, 2000, the First International Bank of Israel and The Israel Discount Bank joined as lenders to the facility and extended an additional $30.0 million each, bringing the total amount of financing to $150.0 million. This facility is secured by substantially all our assets other than our rights under the transponder leases, and is subject to significant affirmative and negative covenants including restrictions on prepayment, restrictions on the incurrence of further debt and a limitation on aggregate capital expenditures.

We are currently renegotiating these bank credit facilities and expect to repay the First International Bank of Israel facility with restricted cash attributable to that facility upon consummation of this offering. The funds drawn down under these facilities will appear as "restricted cash and cash equivalents." We are also currently negotiating an additional bank facility for approximately $100 million to prefund our satellite capacity lease with Loral Skynet.

We believe that the net proceeds from this offering, together with our existing cash, available credit facilities and future revenue generated from operations, will be sufficient to fund our operating losses, capital expenditures, subscriber acquisition costs and working capital requirements for the next twelve months. We expect that our business will continue to realize significant operating losses over the next few years.

We expect that additional financing will be required in the future. We expect to raise financing through some combination of commercial bank borrowings, leasing, vendor financing or the private or public sale of equity or debt securities. Our capital requirements may vary based upon the timing and success of the commercial launch of our network and as a result of regulatory, technological and competitive developments or if:

- demand for our services or our anticipated cash flow from operations is less or more than expected;
- our development plans or projections change or prove to be inaccurate; or
- we engage in any acquisitions.

Equity or debt financing may not be available to us on favorable terms or at all. See "Risk Factors — Our continued operations may require us to seek substantial amounts of additional capital, which may not be available to us."

Recent Accounting Pronouncements

In December 1999, the Securities and Exchange Commission released Staff Accounting Bulletin No. 101, *Revenue Recognition in Financial Statements*. SAB No. 101 is effective in the fiscal quarter commencing October 1, 2000 and provides clarification of existing authoritative guidance with regard to the manner and timing of revenue recognition. We elected to adopt the guidance provided by SAB No. 101 effective upon our commencement of operations. Future

interpretations of SAB No. 101 will be evaluated upon issuance but are not expected to have a material effect on future operations.

On March 16, 2000, the Emerging Issues Task Force issued EITF 99-19, *Recording Revenue Gross as a Principal versus Net as an Agent.* The EITF discusses various indicators that a company would use in determining whether to record revenue on a gross versus net basis. We considered these indicators in developing our revenue recognition policies.

SFAS No.133, "Accounting for Derivative Instruments and Hedging Activities," requires companies to record derivatives on the balance sheet as assets or liabilities, measured at fair market value. Gains or losses resulting from changes in the values of those derivatives are accounted for depending on the use of the derivative and whether it qualifies for hedge accounting. The key criterion for hedge accounting is that the hedging relationship must be highly effective in achieving offsetting changes in fair value or cash flows.

SFAS No.133 is effective for fiscal years beginning after June 15, 2000. We believe that the adoption of SFAS No.133 will have no material effect on our financial statements.

Quantitative and Qualitative Disclosures about Market Risk

Our major market risk exposure is to changing interest rates. Our policy is to manage interest rates through the use of a combination of fixed and floating rate debt. We have evaluated the use of interest rate swap contracts to manage our exposure to fluctuations in interest rates on our floating-rate debt, substantially all of which is based on LIBOR. At August 31, 2000, we have determined that the current variable rate debt is the most effective form of debt, and we have not sought to cap such interest rate exposure.

We do not believe that we currently have any other material exposure to any market risks.

BUSINESS

Overview

StarBand is the first nationwide provider of two-way, always-on, high-speed Internet access via satellite to residential and small office/ home office customers. We have deployed a proven and scalable network using leased capacity on existing communications satellites which we believe can provide our StarBand service today to any location in the United States with a clear view of the

southern sky. We are targeting our StarBand service primarily to rural and suburban households with few or no high-speed Internet access alternatives. We estimate that approximately 55 million households do not presently have access to cable modem or digital subscriber line, or DSL, technology. Our basic service package offers unlimited access time at an affordable monthly flat rate and can be bundled with EchoStar's DISH direct broadcast satellite television service. We have extensively tested our service offering at over 9,000 locations and, in combination with our strategic partners, are launching service nationwide in the fourth quarter of 2000.

Our high-speed Internet access service benefits from the unique abilities of our one-hop satellite network architecture. Unlike terrestrial networks, satellite networks possess the ability to multicast, or simultaneously send common content, to millions of subscribers. Our solution is unique because it delivers high bandwidth content directly to the personal computer or other storage device at a subscriber's home. We can therefore expand the edge of the Internet directly to our subscribers and avoid potential congestion inherent in the terrestrial network. We intend to use our multicasting services to aggregate and filter high quality content and create an unparalleled experience for our subscribers. We will multicast content such as music, movies, software and emerging multimedia content at significantly higher speeds than existing broadband alternatives and, in 2001, we expect to introduce the StarBand Carousel[SM], a personalized high-speed digital delivery service, significantly enhancing our subscribers' experience and generating additional revenue opportunities.

Our strategic partners and founding investors, Gilat Satellite Networks, Microsoft Corporation and EchoStar Communications have played key roles in our development by providing us access to:

- proprietary proven technology;
- a large existing customer base;
- strong consumer brand names; and
- broad retail and wholesale distribution channels.

To date, we have raised $126 million of equity from our strategic partners and founding investors.

Market Opportunity

We believe that we have a substantial business opportunity as a result of the following four factors:

- growing use of the Internet;
- large and growing demand for high-speed Internet services;
- limitations of existing broadband alternatives; and
- acceptance of satellite services by consumers.

Growing Use of the Internet

The Internet has grown rapidly since the early 1990s to become a global medium that enables millions of people to obtain and share information, programming, products and services as well as communicate and conduct business electronically. Yankee Group projects that the number of Internet-connected households in the United States will grow at a compound annual growth rate of 17% from

approximately 33 million in 1999 to approximately 71 million in 2004. An industry source projects that U.S. Internet service provider revenues will grow from $17.7 billion in 1999 to $60.5 billion in 2004.

Large and Growing Demand for High-Speed Internet Services

While the vast majority of consumers still access the Internet through dial-up connections, there is a growing demand for high-speed alternatives. According to Yankee Group, the number of broadband subscribers in the United States grew from 1.6 million at the end of 1999 to just over 3.0 million in July 2000. Pioneer Consulting estimates the number of broadband residential subscribers in the United States will grow from 6.2 million in 2000 to 44.2 million by the end of 2005, a compound annual growth rate of 48%.

We believe this growing demand is driven by consumers who are frustrated by dial-up connections or are used to the benefits of always-on, high-speed connectivity in the workplace and are now demanding comparable services in the home. According to Yankee Group, consumers interested in high-speed Internet access rank high-speed and an always-on connection as the two most important characteristics of Internet access. In addition, consumers increasingly want access to rich Internet content that requires higher-speed connections than dial-up provides, including audio, video, multimedia and interactive services. Many companies are developing specific content to exploit the characteristics of high-speed access and several broadband-only portals have emerged that require high-speed connections to access the full range of their available rich content.

Limitations of Existing Broadband Alternatives

Currently, no broadband Internet access providers serve consumers on a fully nationwide basis. Despite the high profile rollouts of DSL and cable modem services, Yankee Group estimates that approximately 55 million U.S. households currently have no terrestrial broadband access services available to them and in 2004, cable modem and DSL will be unavailable to 29 million and 33 million homes, respectively. These technologies require the large-scale upgrade of facilities at every central office or cable point-of-presence that serves a particular neighborhood, making it complex and costly for them to build out their networks and provision their services.

Existing terrestrial networks also suffer from the cost and congestion associated with the multiple connections necessary to deliver content from the source to the user. When Internet connection points, such as servers or routers, receive data that exceed their capacity, portions of the

data may be lost and quality of service may deteriorate. For example, rich media streams will often stop and restart while waiting for the lost data to arrive. As a result, other content distribution networks provide solutions that push common content to thousands of storage servers spread throughout the existing Internet infrastructure. While helping to improve the performance of terrestrial access networks, these solutions are still vulnerable to congestion in the network created by multiple connections between the closest storage server and the Internet user.

Acceptance of Satellite Services by Consumers

The introduction of direct broadcast satellite television in 1994 was one of the most successful rollouts of a consumer electronics product. According to The Satellite Broadcasting and Communication Association, the number of direct broadcast satellite television subscribers grew from 0.6 million in 1994 to 11.4 million in 1999 in the United States. The success of direct broadcast satellite television demonstrates U.S. consumers' acceptance of satellite technology for home use as a mainstream alternative to terrestrial services such as cable, particularly in regions outside the largest urban centers, where direct broadcast satellite television has seen its most significant market penetration.

High-speed Internet access using satellite technology is a compelling alternative to DSL, cable modem and dial-up services in many areas. Pioneer Consulting estimates that the U.S. satellite high-speed access market will grow from $170 million in 1999 to $13.2 billion in 2005, a compound annual growth rate of 107%. Pioneer further projects that $7.8 billion, almost 60% of the market in 2005, will be generated from consumer access fees.

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The StarBand Solution

Our nationwide network is designed to provide high-speed Internet access to meet the demands of underserved, rural and suburban markets where broadband alternatives are limited. We provide our service through a small satellite dish installed at the subscriber's home and connected to communications electronics located either in the subscriber's personal computer or in a stand-alone StarBand modem. Our solution offers:

- reliable high-speed, always-on access;
- an unparalleled subscriber experience; and
- nationwide and scalable infrastructure.

Reliable High-Speed, Always-On Access

We believe our offering represents a significant improvement over alternatives available in our target markets. Our service offering is designed to maximize the speed available to subscribers while maintaining an affordable price. We are initially offering our standard high-speed access at

downstream speeds from the Internet to the subscriber of up to 500 kilobits per second, with a peak-hour service goal of at least 150 kilobits per second downstream, and upstream speeds from the subscriber to the Internet of up to 150 kilobits per second. In the future, we will also offer Internet access at higher speeds to subscribers who choose our premium services. Subscribers will also have access to multicast content, initially at speeds of one megabit per second or more, which we expect to increase to 40 megabits per second upon introduction of our second-generation network architecture. We also plan to offer our subscribers flat-rate pricing regardless of the amount of time they spend on-line, subject to our standard subscriber agreement.

Our always-on service provides our subscribers with immediate access to the Internet and the content that they wish to view, without the need for a phone line. Because our network is independent of terrestrial infrastructure, there is no need to dedicate a phone line to Internet use, to wait for a dial-up connection to be established or to qualify customers based upon the quality and condition of their telephone or cable lines.

We have based our solution upon the proven technology of our founding partner, Gilat, which is a leading provider of reliable satellite-based networks for hundreds of corporations and enterprises worldwide and has extensive experience in designing and operating satellite networks. Gilat's technology enables an effective and highly reliable data networking environment that is easy to install at the subscriber's home or office and allows for quick service activation.

Unparalleled Subscriber Experience

We believe we will deliver an unparalleled subscriber experience by offering multicast content and the StarBand Carousel[SM] features with our two-way, always-on, high-speed Internet access. Our platform enables high-speed broadcast, or multicast, of music, movies, software and emerging multimedia content simultaneously to multiple subscribers, utilizing the same downstream bandwidth, a feature not currently available on a nationwide basis from terrestrial services. Popular live Internet events such as fashion shows, sporting events and concerts create significant backbone congestion or even crash services, as many users simultaneously seek to connect individually to the source of the content. While terrestrial companies may use satellite technology to relieve backbone congestion by multicasting and caching content at their local offices, our solution extends the multicast all the way to the subscriber, avoiding last-mile bottlenecks and providing our subscribers with high-performance access to the desired content.

In 2001, we intend to introduce the StarBand Carousel[SM], the first high-speed digital content delivery service for consumers, which will allow subscribers to order and schedule the delivery of a wide array of programming, products and services over our network. The StarBand Carousel[SM] will deliver ultra-high-speed multicast content and e-commerce products for use by subscribers immediately or on a scheduled or

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subscription basis. Our subscribers will be able to receive and store that Internet content on their personal computers according to predefined personal preferences.

Subscribers who purchase our Internet access service bundled with EchoStar's DISH direct broadcast satellite television service will also enjoy a single satellite dish solution to meet their high-speed Internet and television entertainment demands. This bundled offer provides a viable alternative to local cable monopolies and provides subscribers with the convenience of a single monthly invoice for their Internet access and television services. For subscribers who purchase bundled service, installers will position the satellite antenna to receive signals from multiple satellites with one set of cables connected to a DISH television set-top box and a second set of cables connected to the subscriber's StarBand system.

Nationwide and Scalable Infrastructure

Upon our nationwide market launch in the fourth quarter of 2000, we will offer high-speed Internet access to any customer at any location with a clear view of the southern sky, which we estimate includes approximately 90% of all households in the United States. We believe we can introduce our service easily and cost efficiently across the United States even in sparsely populated areas and without extensive capital expenditures. The nationwide availability of our service also will allow potential customers, including large corporations with employees in locations across the country, to subscribe to residential high-speed Internet access from a single provider.

The network can be scaled centrally without any visits to our subscribers to upgrade their hardware or software. Unlike terrestrial services, we do not need to manage, equip or interconnect hundreds of local office switching centers across the country. In addition, we benefit from end-to-end control of the network from a central location and do not depend upon a terrestrial infrastructure that is operated and controlled by third parties. As a result, we believe we have a better ability to manage quality of service and provide our network services than our terrestrial competitors. Because our system delivers communications from a central network operations center via satellite, we can increase the overall network capacity by simply adding equipment to the network operations facility, increasing the capacity of its connection to the Internet backbone and increasing our space segment capacity. We lease satellite capacity and can therefore increase that amount incrementally when our subscriber base grows.

Our Strategy

Our mission is to become the leading nationwide provider of two-way high-speed Internet access via satellite and to create a new category of Internet service which combines high-speed access with our multicast content delivery service. We intend to implement the following strategies to achieve this goal:

Rapidly Expand Our Subscriber Base

As the first national provider of two-way, always-on, high-speed Internet access via satellite to residential, small office, and home office users, we intend to rapidly build a nationwide subscriber base. We are leveraging our powerful existing wholesale and retail distribution channels, including approximately 7,000 RadioShack stores and 20,000 DISH retailers, to build this subscriber base. While these channels will initially focus on attracting new customers, we also intend to market our services to MSN's and DISH's existing base of approximately 3 million and 4.5 million subscribers, respectively. We intend to leverage the installed base and marketing activities of our affiliate, Spacenet, to identify and capture corporate-sponsored home worker and Internet access

employee benefit opportunities. Our emphasis on quickly building a substantial and growing subscriber base will help lower our cost to serve each incremental subscriber as we spread our fixed network costs over a larger base of subscribers. A large base of subscribers will also provide us with significant additional opportunities to sell higher-margin value-added services and an enhanced ability to attract premium content providers to our network.

Implement a Targeted Marketing Plan to Attract Subscribers

We are initially implementing an aggressive and targeted marketing campaign directed primarily at promoting our service to potential users in underserved, rural and suburban markets where access to flat-rate Internet service providers and other broadband alternatives is limited. We plan to build nationwide brand presence, especially through the expected media coverage of StarBand's launch as the first available nationwide two-way high-speed satellite Internet service. The majority of our marketing budget will be reserved for media that directly target prospective subscribers in local markets. We expect that our initial focus will primarily include local print, radio and billboard advertisements that support our retailers by driving potential subscribers to their stores. In addition, we have planned an aggressive direct marketing program aimed at the approximately 4.5 million existing DISH direct broadcast satellite television subscribers. We are also targeting the estimated 4 million households in states with local regulations that require metered service charges for every phone call, including local calls, causing dial-up customers to pay per-minute telephone charges for their Internet use.

Maintain a Low-Cost and Capital-Efficient Business Model

We have designed and are operating the network around a low-cost and capital-efficient business model. For example, by leasing satellite capacity on existing communications satellites for our network rather than investing the significant time and capital necessary to design, launch and operate a proprietary fleet of satellites, we have significantly limited our capital costs without the risk associated with deploying new satellites. By utilizing Gilat's network solution, we benefit from Gilat's significant investment of time and resources to develop this technology. We have partnered with companies like MSN and EchoStar to efficiently reach potential customers at a lower cost than we could on our own. As we grow our subscriber base, we will further lower our costs by working with Gilat and other partners to develop next-generation equipment and satellite capacity. We believe that our low-cost and capital-efficient business model will ultimately provide for higher returns on investment and continue to be a key competitive advantage by allowing us to allocate the majority of our resources to acquire subscribers rather than build network infrastructure.

Develop Opportunities to Sell Higher-Margin Value-Added Services

We intend to generate high-margin revenues by providing optional value-added services that take advantage of our multicast and other advanced service features. We believe our subscribers will pay for the delivery of content such as music, movies and software multicast to their homes. We will also target communities of interest, composed of large groups of subscribers with common

interests, such as ethnic and religious groups, regional sports fans and music enthusiasts that who will pay premium rates to receive customized video and interactive content. While our base service offering will be adequate for many users, we believe that some subscribers, including many small office/home office users, will pay to upgrade their service to higher bandwidth offerings at a premium price.

Continue to Enhance our Subscribers' StarBand Experience

We intend to continuously improve our subscribers' StarBand experience by maintaining our technological leadership. To improve the subscriber's Internet browsing experience, we are taking advantage of Gilat's proprietary software that increases the rate at which web pages display on the user's personal computer screen and other network features, like the StarBand Carousel[SM], that take advantage of our multicasting capabilities. We are currently working with Gilat on our next-generation StarBand modem that will feature smaller subscriber electronics and improved interfaces. We are also collaborating with Gilat and EchoStar to develop a single modem with built-in storage that will provide for two-way interactive television combined with Internet access. By constantly improving the subscriber experience through technological leadership, we intend to continue growing the size and loyalty of our subscriber base.

Pursue Additional Distribution and Content Partnerships

We intend to strengthen our position in the high-speed Internet access market by aggressively pursuing new partnerships to expand our distribution channels and increase our access to rich media content. We are currently in discussions with several additional high-volume retailers to broaden distribution of both the Internet-only and bundled Internet/ DISH entertainment services. We also intend to pursue relationships with other Internet service providers that will provide either a wholesale or co-branded retail service offering. Simultaneously, we are engaged in discussions with a number of established content providers who are interested in offering rich media content initially through our multicasting service and eventually through our StarBand Carousel[SM] service. By emphasizing additional distribution channels and content partners, we intend to increase the availability of our service offerings, substantially differentiate our service, further accelerate subscriber growth and improve the subscriber experience.

Our Strategic Partners

We began operations in April 2000 upon the consummation of equity investments in our company by our three founding investment and strategic partners: Gilat Satellite Networks, Microsoft Corporation and EchoStar Communications. These strategic partners provide us with proprietary proven technology, access to a large existing customer base, strong consumer brand names and broad retail and wholesale distribution channels.

Gilat

Gilat, an Israel-based company listed on Nasdaq, is a leading provider of telecommunications solutions based on satellite network technology and delivers satellite-based, end-to-end enterprise networking and rural telephony solutions to customers across six continents. In addition, Gilat markets interactive broadband data services to its enterprise customers through Spacenet Inc., its wholly-owned subsidiary. Gilat is an industry leader in the development of high-speed satellite-based Internet technology, and has a reputation for highly reliable, low-cost satellite hardware.

Gilat was early to recognize the substantial business opportunity available by targeting the large, underserved consumer and small office/home office high-speed Internet access market. As a result, Gilat founded our company to pursue this opportunity, and our service is based upon satellite networking technology it developed, and hardware and software it manufactures. We believe our partnership with Gilat has allowed us to be first to market and will help us to maintain our competitive advantage as we scale the business and introduce new services and technologies. Our business represents a significant opportunity for Gilat to expand its market for satellite networking solutions and we expect to become one of its largest customers.

In February 2000, we entered into a five-year supply agreement with Gilat and Spacenet. The Gilat supply agreement sets forth the commercial terms under which we will offer StarBand service outside our arrangement with MSN, and the terms under which Gilat and Spacenet provide us with licenses, intellectual property and satellite capacity on the GE Americom GE4 satellite for that purpose. In addition, Spacenet and Gilat have agreed not to offer services that compete with our service to residential and small office/home office customers throughout North America.

We expect to enter into a four-year master supply and services agreement with Gilat and Spacenet that will amend the terms under which they supply products and services to us. This agreement will automatically renew for two-year periods unless terminated by one of these parties. Under this agreement, Gilat and Spacenet will provide equipment, technology and systems that we will use in our business and operations. Gilat and Spacenet will also provide us with technical and administrative services and research and development support. Gilat and Spacenet will grant us exclusive rights throughout the United States and Canada to the technology required to provide our services, and we will purchase most of the equipment and services necessary for our business exclusively from Gilat and Spacenet. In exchange, Gilat has committed to deliver our consumer modems in quantities specified by us in rolling quarterly forecasts. Gilat and Spacenet also granted us the right to provide service in Mexico. We are currently considering

contributing these rights to an affiliate which has the rights to provide similar services throughout the rest of Latin America in exchange for a minority equity interest in this affiliate.

In addition to operating our network operations center and leasing facilities to us, Spacenet will grant us a sublicense to use its enterprise resource planning system and the software with which we perform back-office functions. In the future, we may provide Spacenet with equipment and services for re-sale to enterprise and small office/home office customers.

Microsoft

Microsoft, a Redmond, Washington-based public company, develops, manufactures, licenses and supports a wide range of software products for a multitude of computing devices. Microsoft's online efforts, which serve approximately 3 million subscribers, include The Microsoft Network L.L.C., or MSN, network of Internet products and services, e-commerce platforms and alliances with companies involved with high-speed Internet access and various forms of digital interactivity. We believe our relationship with Microsoft will give us immediate access to a large number of potential subscribers upon the nationwide commercial launch of our service.

As a nationwide Internet service provider, MSN established a strategy to offer high-speed Internet access to its subscribers, regardless of their location. MSN has partnered with other broadband service providers to bundle the MSN service with their high-speed access. Microsoft selected us as its satellite-based high-speed Internet access provider for MSN sales due to our ability to offer service on a nationwide basis, particularly in areas where other high-speed alternatives are not available. MSN has an agreement with RadioShack to market and sell its Internet services in RadioShack stores. Microsoft is currently rolling out its MSN satellite-based product offering, MSN powered by StarBand, in RadioShack stores using the Internet access we provide to them under our wholesale agreement. Microsoft may offer our service in the future through many of its other retail distribution channels.

In March 2000, we and Gilat entered into a broadband supply agreement with MSN governing the commercial terms pursuant to which we will provide MSN with wholesale broadband access. The term of the agreement is four years and renews automatically for additional one year terms unless terminated earlier by one of the parties. This agreement establishes the material terms and conditions of this relationship, such as MSN's purchase of consumer premises equipment, the rates MSN pays us for wholesale monthly Internet access and exclusivity arrangements. We and MSN have recently agreed in principle to amend this agreement and we are currently negotiating a definitive agreement. We expect that the revised agreement will provide that MSN must purchase minimum quantities of consumer premises equipment once we achieve a single production related milestone and amend the exclusivity arrangements.

EchoStar/ DISH

EchoStar, a Denver, Colorado-based public company, is the second largest provider of direct broadcast satellite television services in the United States through its DISH network. EchoStar is also an international manufacturer of digital satellite receiver systems and a provider of other satellite services. We will specifically target EchoStar's DISH customer base, which, we believe, already appreciates the benefits of other satellite-based services and is likely to consider purchasing our satellite-based Internet access. In addition, this relationship provides us with access to the over 20,000 DISH retailers which we have authorized to sell our service. As a result of our partnership, we believe we will benefit from EchoStar's substantial experience in launching, marketing and installing a satellite-based service for customers nationwide.

Through its partnership with us, EchoStar will be able to offer our high-speed Internet access services to DISH's over 4.5 million U.S. direct broadcast satellite television subscribers. DISH's subscriber base has been growing at a rate of approximately 150,000 subscribers per month. The ability to offer high-speed Internet service is a key part of DISH's strategy and protects it against

encroachment by other direct

broadcast satellite television and broadband providers on DISH's subscriber base. In addition, our partnership with DISH offers both parties the opportunity to realize incremental revenues from cross-selling services to each other's subscribers.

We, Gilat and EchoStar entered into a memorandum of agreement on February 22, 2000 setting forth the terms under which the parties agreed, pending execution of definitive agreements, to cooperate in providing high-speed Internet access to DISH's direct broadcast satellite television customers through the StarBand network. This arrangement with EchoStar expires on March 31, 2001. We are currently negotiating with EchoStar for an extension of this agreement. Pursuant to this arrangement, EchoStar is marketing our service to their customers and DISH retailers and we will market DISH's satellite television programming service together with our high-speed Internet access service. EchoStar has made no commitments to us and is subject to no penalties if it ceases to sell our service. EchoStar and Gilat are also currently conducting research and development of a product to provide our Internet service through a TV-centric platform in the future. This memorandum of agreement contains provisions which restrict us and EchoStar from entering into co-marketing relationships with competitors of each other for a limited time.

The StarBand Experience

Service Features

We believe we offer consumers a new category of Internet service which combines high-speed Internet access with our multicast content delivery service. We utilize proven satellite technology to provide reliable and cost-effective service to subscribers nationwide under the StarBand brand and through our partners, including MSN and EchoStar.

Our StarBand services include:

- reliable, always-on, high-speed Internet access nationwide via satellite at downstream speeds of up to 500 kilobits per second, with a peak-hour service goal of at least a 150 kilobits per second downstream, and upstream speeds of up to 150 kilobits per second;
- customized rich media content multicast at high speeds directly to our subscribers' computers;
- a personalized home page and customized Internet browser; and
- tiered bandwidth and premium service packages.

Our service offering includes all equipment and software necessary to establish and maintain an always-on, high-speed Internet connection. Our retail customers will be able to access the Internet through our home page, which the subscriber can personalize to include stock quotes, weather,

news and other content of interest. Our homepage will also enable our subscribers to order service upgrades or content subscriptions, add e-mail accounts, create personal web pages and make billing inquiries. Other subscribers will have access to the StarBand homepage by a single click from their homepage portal. We are currently developing a customized browser that will enable our subscribers to navigate the Internet and simultaneously access multicast content, including media streams, using an electronic programming guide.

Next year, we plan to introduce StarBand Biz, a premium service package targeted primarily toward small office/home office subscribers. In addition, we expect to offer a specially packaged home local area network solution with additional bandwidth and shared access to the StarBand modem to provide enhanced service to subscribers with multiple personal computers.

Multicast and StarBand Carousel SM

Our service is significantly enhanced by the unique abilities of our one-hop satellite network architecture. Unlike terrestrial networks, satellite networks have the ability to multicast, or simultaneously send common content, to any number of designated subscribers. Our solution is unique in its ability to

distribute high-bandwidth content directly to a subscriber's personal computer or other home storage device independent of the terrestrial infrastructure. Our model allows us to expand the edge of the Internet all the way to our subscribers' homes and avoid the congestion inherent in the terrestrial networks. Experiments on terrestrial networks similar to multicast, known as push technologies, have failed until now because they require additional bandwidth for each user and drain the operating resources of the user's personal computer, dramatically slowing down Internet browsing. In contrast, our multicast capabilities create an unparalleled experience by providing a high-speed overlay network that does not limit bandwidth available for Internet browsing.

We intend to aggregate and filter high quality content for our subscribers through our multicasting capabilities. Internet users often find it difficult to identify the best sources of broadband content and services. Though individual Internet users generally seek content personalized to his or her individual interests, Internet users as a group often seek common content from popular web sites that are visited by many users each day. We plan to offer a menu of multicast services that will feature high quality content at ultra-high speeds that appeal to broad groups of subscribers. As a result, we expect to significantly enhance the perceived value of our services and distinguish ourselves from other Internet access services by delivering personalized, yet commonly requested, high quality content to our subscribers.

We are actively working with Gilat to complete the development of the StarBand Carousel^{SM} in 2001. Building upon the multicast content delivery system, the StarBand Carousel^{SM} will offer our subscribers a menu of high quality content and rich data files that can be simultaneously delivered at specified times to all subscribers who have placed a request. We will offer the available content to subscribers at significantly higher speeds than our basic Internet access service. In addition to

large data files such as software applications, we expect to offer some of the most popular and bandwidth-intensive content on the Internet which will be ordered via an electronic programming guide. After delivery of the content to the subscribers, they may store it on their personal computer or other local storage device. Multimedia offerings such as the recent presidential debates, popular movies, best selling books or leading audio files might be among the available choices.

Multicast and StarBand Carousel [SM] Applications

Our initial plan is to use our multicasting and StarBand Carousel [SM] capabilities to deliver the following services:

- media streaming;
- reliable distribution of large data files; and
- distribution of common content for local caching.

Media streaming is a distribution process that allows simultaneous broadcasting and playback of video and audio content. The terrestrial Internet infrastructure was not designed to support the traffic load created by broadcasting full motion video or high-fidelity audio. By contrast, we believe our multicasting capabilities ideally position us to offer popular audio and video streams to our subscribers. For example, multicasting enables the network to simultaneously transmit a live web event, such as a fashion show or fast-breaking news story, to any number of designated subscribers at a superior quality to what they would receive through a broadband terrestrial Internet connection. Replays of the web event could also be sent to subscribers. In many instances, we believe our subscribers may pay additional fees for access to this and other premium content.

We believe our multicast and StarBand Carousel[SM] features provide our subscribers quicker, more reliable and more efficient access to large data files, including software and multimedia games, when compared to other electronic or traditional content delivery methods. For example, software applications and games featuring realistic three-dimensional graphics can often consist of files that are 100MB or more in size. This size often causes transmission difficulties over dial-up or broadband Internet connections, and a customer might otherwise have no alternative for receiving the file except for physical delivery of a CD-ROM or other physical storage media. Through the multicast and StarBand Carousel[SM] content delivery

systems, however, our subscribers would be able to enjoy the convenience of high-speed electronic access to the large data file without the significant costs of packaging and mailing physical storage media. Software companies, such as Microsoft, and our subscribers may also see significant value in our ability to reliably deliver large data files to any number of geographically dispersed locations at once.

Using our multicast and StarBand Carousel[SM] capabilities, we can deliver the most popular content to our subscribers for storage in their personal computer or other local storage device. By learning from the common usage patterns of our subscribers, we may regularly multicast the most often requested web content such as news, popular web services and other content to further enhance the subscriber experience and reduce unnecessary demands on our two-way capacity. In this way, our subscribers may avoid potential congestion over the terrestrial network as we expand the edge of the Internet directly to them. We intend to use these capabilities to, among other things, enable the high-speed delivery of specific content targeted to select interest groups who may be dispersed across the entire United States but united by a common interest or sense of community, such as regional sports team fans, religious groups or ethnic groups.

Marketing, Sales and Distribution

We initially intend to market, sell and distribute our wholesale and retail offerings through existing channels with our strategic partners that currently provide a nationwide network of over 27,000 outlets covering our core rural and suburban target markets. We also expect to add additional retail channels such as consumer electronic chains, direct-to-consumer distribution and major account sales.

Wholesale Service Offering

We offer our services on a wholesale basis to large Internet service providers or other access providers to complement their existing offerings. The basic components of our wholesale offering are customer premises equipment, satellite network transmission services and second-level help desk services. We also have the ability to provide additional services to our wholesale customers, such as Internet access, billing and first-level help desk services for an additional fee. Under our typical wholesale arrangements, our wholesale customer will buy our customer premises equipment and pay us a monthly fee per subscriber for our high speed satellite transmission services. In the wholesale model, we would not typically fund subscriber acquisition costs, market the service or provide first-level customer support or pay for tier one access from our hub to the Internet. Because we provide fewer services than in the retail channel, we charge a substantially reduced monthly subscriber fee. We currently allow our wholesale customers to offer private label or co-branded services.

MSN is our first wholesale customer which will package, price and promote the offering under its MSN brand to the marketplace through RadioShack and other retail organizations. RadioShack will initially market MSNHigh Speed Internet, powered by StarBand, a service/hardware package comprised of a Compaq PC required to be purchased from RadioShack for approximately $899, a StarBand satellite system costing approximately $299, and a one-year MSN service contract of approximately $59.95/month. MSN, as the Internet service provider, will provide first-level help desk assistance and all billing services to subscribers. We will provide the high-speed transmission for MSN from our hub via our satellite network to the MSN subscriber.

On September 27, 2000, MSN and RadioShack jointly announced the nationwide launch of the MSN high-speed Internet service through RadioShack. In late October 2000, we will begin delivery of our service through this channel. At present, we have installed satellite demonstration capabilities at over 3,500 RadioShack locations. We have also completed training of over 75% of sales management, including the important RadioShack franchisee group, which we believe reaches the core demographic of our targeted suburban and rural Internet customers. By year-end, we expect

nearly 5,000 RadioShack locations to be outfitted with satellite-ready Microsoft Internet Centers featuring self-paced and sales-assisted tutorials on MSN's high-speed Internet access.

Retail Service Offering

We also offer our services through our retail channel in which we sell our branded services directly to consumers. Our retail arrangements are structured so that our per subscriber revenues are higher than the wholesale channel although, we are required to subsidize more of the associated subscriber acquisition costs. Typically, our distribution arrangements in this channel are with consumer electronics stores and other direct-to-consumer retailers. Components of our retail service include high-speed Internet access, customer premises equipment and features we offer as an Internet service provider.

EchoStar is our first retail distribution channel. Beginning in late fall 2000, we intend to sell our services through 20,000 DISH retailers nationwide. Together with DISH, we also will offer bundled direct broadcast satellite television and Internet services. Initially, we expect DISH retailers to sell complete StarBand systems at a suggested retail price of $399. Our monthly Internet-only service fee will be approximately $69.95. Our price levels initially reflect the large unmet demand that we believe exists for two-way high-speed Internet access, though we expect that we will lower our prices to retail customers in the future as market conditions change. We expect that additional promotional and discounted rates will be available for subscribers receiving bundled services. Professional installation is required and is paid directly to the installers at a suggested retail price of $175.

We and DISH have already jointly installed over 1,500 dealer locations with operational demonstration systems and plan to continue installing StarBand demonstration systems in additional retail locations. Currently, we are training DISH retailers to sell our services and to install the subscriber hardware. DISH retailers have the option to stock inventory, which could allow same-day installation and activation of our service.

We also plan to sell our services through other retail channels. Beginning in 2001, we expect our customers to be able to order our services directly over the Internet. Our on-line sales capability will enable all of our retail subscribers to order subscription services and other individualized or premium services. Additionally, we are currently pursuing relationships with large, high-volume consumer electronics chain stores and we are recruiting and training a direct sales force.

Provisioning and Customer Support

Logistics

We will maintain inventory levels consistent with our forecasts and intend to minimize inventory levels while at the same time maintaining our ability to quickly fill subscriber orders. Channel Master, a leading manufacturer of satellite dishes in the U.S. marketplace, provides us with

the antennas, mounts, and warehousing and consolidation services. Gilat ships StarBand customer electronics directly to Channel Master, where they are packaged with the satellite dish antenna and mount, creating a customer premises kit. Channel Master's facility currently serves as our primary U.S. warehouse, from which the customer premises kits are shipped to our customers at our direction.

Both Echostar and MSN will keep limited inventory of our product at their warehouses, and we will ensure that additional product is available at the Channel Master warehouse to react to variations in demand.

Installation and Maintenance

We outsource installations to third parties using over 8,000 experienced satellite installation professionals. Installation of all equipment and software necessary to begin using our service generally takes less than three hours, and we intend to shorten that time period. We have trained and qualified several nationwide and regional installation companies, including EchoStar's DISH Network Service Corp. and RadioShack's Amerilink subsidiary, as well as many of the individual DISH retailers to ensure high-quality nationwide coverage and depth in key markets. The RadioShack Amerilink organization will provide installation services for the MSN service offering. StarBand quality control teams are responsible for the overall company goal of single-visit, error-free installation and these teams spot check actual

subscriber installations. In the future, we expect to offer a self-installation option as an alternative to third party installation.

We intend to deliver an Internet access service that is virtually trouble free for our subscribers. In order to reduce costly and frustrating on-site visits, we intend to provide self-healing diagnostic software but will deploy a qualified technician when an on-site maintenance visit is required. We will offer warranty plans to cover all of our customer premises equipment.

Customer Support and Billing

We provide customer support through the Marietta, Georgia central network operations center. This facility provides both first-level and second-level customer support. We staff our customer call center with highly trained customer service representatives 24 hours a day, seven days a week. Our customer service representatives have the capability to access the network management system, which gives them real-time access to network performance and subscriber information. We recently installed resource management software from Siebel Systems that maintains all maintenance and call activity data for each of our subscribers individually. We will contract with an outsourced customer service center to address pre-sale and non-network related issues, improve sales support, administer email addresses and provide billing support when applicable.

Billing of StarBand subscribers will be performed by either our partners or StarBand, according

to our distribution agreements. In our initial distribution channels, EchoStar will generate a co-branded bill for our subscribers, and MSN will bill its subscribers directly. In other future channels, such as our on-line channel, StarBand will directly bill and collect from its subscribers using our SAP enterprise resource planning and other related systems.

Network Overview

The network, based upon a proven design developed by Gilat and currently operated by Spacenet pursuant to a telecommunications services agreement, is composed of three main components: satellite capacity, network operations centers and the customer premises equipment.

Satellite Capacity

Satellite capacity provides the transmission medium for the network and provides the bandwidth over which our subscribers communicate with the Internet through the network operations center. We introduced our service by leasing, directly and through Spacenet, capacity on existing satellites that provide service coverage throughout North America. In the future, we also intend to offer our service via leased next-generation satellites that will increase our network capacity and the bandwidth available to our subscribers.

We lease satellite capacity in large increments known as transponders. A transponder serves as a reflector by receiving a signal, amplifying the signal and retransmitting it to or from the subscriber and the network operations center. Our satellite capacity currently operates in the Ku band frequency. The Ku band frequency is more resistant to weather interference and therefore limits satellite service interruption known as "rain fade." Satellite companies are developing next-generation satellites that will operate in a higher frequency known as Ka band. There is currently more unused frequently in the Ka band. However, it is less resistant to weather interference than Ku band. Gilat is designing a next-generation hybrid satellite that will use both Ku band and Ka band frequencies to take advantage of the benefits of each.

Allocation of Transponder Space. We transmit communications across our network using satellite transponders that allow multiple users to share the same bandwidth. Our network loading assumptions take into account a number of factors. Based on the experience of our partners in providing Internet access and satellite Internet protocol networks, we anticipate that only a subset of our user base will be actively online at any time. Because Internet traffic is bursty, or intermittent, with users ordering and then reading delivered content, a number of users can share bandwidth without perceiving any reduction in speed. As

Maybe not... if as currently understood, Internet traffic is self-similar.

the number of users increases and becomes more geographically dispersed, we are able to achieve statistical gains on our loading assumptions. Our centralized network architecture permits us to optimize each subscriber's experience and our satellite capacity planning by aggregating users of different characteristics, such as time zone location or day versus evening users, onto the same transponder.

Our business model is based on achieving an economical satellite capacity cost per subscriber that reflects the number of subscribers sharing bandwidth and our cost of satellite capacity. Over the next two years we intend to implement a series of software and hardware improvements for the network developed by Gilat. One of Gilat's software improvements reduces network traffic by reducing repetitive administrative network acknowledgements required by Internet protocols and instead transmits only the actual content. We expect that this and other improvements will enable us to increase the number of subscribers that we allocate to a transponder from 7,500 to a target of approximately 20,000 over time, thus decreasing our space segment cost per subscriber.

Current Satellite Capacity. Our network currently operates on existing Ku band frequency transponders leased by Spacenet from GE Americom on the GE4 satellite located at the 105(LOGO) West longitude orbital location. Spacenet has a five-year lease for up to six Ku band transponders on this satellite. In addition, we recently signed an agreement with Loral Skynet to lease up to 17 Ku band transponders on the Telstar 7 satellite located at the 129(LOGO) West longitude orbital location. This lease has a seven-year term with options to extend the lease for the life of the satellite, which generally will be approximately an additional six years. Subject to market availability, pricing and other considerations, we intend to lease additional Ku capacity as necessary.

Next-Generation Satellite Capacity. In the future we intend to use next-generation satellites engineered as a hybrid system that incorporates the strengths of both Ku band and Ka band frequencies in order to increase the capacity of our system and lower the cost of our network. This hybrid satellite system features a design that utilizes the Ka band frequency between the hubs and the satellite and the Ku band frequency between the satellite and the subscriber's customer premises equipment. Use of Ka band between the hubs and the satellite gives us the ability to increase the amount of bandwidth that we provide to our subscribers. Use of Ku band technology for transmissions between subscriber locations and the satellite allows us to overcome most weather-related interference and use existing low-cost, highly reliable Ku band equipment at our subscribers' homes.

Each hybrid satellite will communicate to six zones with four Ku beams each, enabling the reuse of frequency over 24 beams. Our two initial hybrid satellites will have a combined total capacity of up to 6.2 Gigabits per second downstream from the Internet to our subscribers and up to 2.5 Gigabits per second upstream from the subscribers to the satellite. These satellites also will have six Ka spot beams from the satellite to separate hubs, each connected to the Internet. Our hybrid satellites will also have nationwide beams for multicast transmissions of over 40 megabits per second. Because both satellites will be in a single orbital location, we will be able to provide a backup system for our subscribers. However, in the case of a failure of either satellite, subscribers may temporarily experience a lower data rate until full service is restored.

We intend these hybrid satellites, tentatively called StarBand 1 and StarBand 2, to be built, launched, and operated by an established satellite industry partner. We intend to lease capacity on these satellites under pre-established terms that are presently being negotiated. We currently anticipate that these satellites will be in service by late 2002.

Network Operations Centers

The main network operations center, located in Marietta, Georgia, serves as the central point

from which we manage the nationwide network. The network operations center includes the earth station satellite networking equipment and engineering and operations staff which continuously monitors and optimizes the network performance. The satellite networking equipment receives and processes the data sent to us by our users via the satellite. We use sophisticated, high-capacity satellite data networking switches to direct traffic over our network, which are connected from the network operations center via a pair of high-speed redundant links to the Internet.

Some of our early subscribers will be served from a Spacenet managed network operations center located in McLean, Virginia. Backbone connectivity at this facility features a dual, fully redundant connection. We expect this network operations center to transition to the Marietta, Georgia facility in early 2001. Our network operations centers are presently staffed by Spacenet's highly experienced satellite network engineers.

In the future, when we begin to use the hybrid satellites, each of the six Ka band spot beams will require a separate earth station and network switching equipment. These six facilities will be connected terrestrially to the Marietta network operations center. High-capacity fiber optic cables will connect each of the facilities to the Internet backbone.

Customer Premises Equipment

Our customer premises equipment enables our subscribers to send and receive data from and to the Internet via satellite transponders. This equipment consists of an external satellite modem or a pair of internal personal computer cards, connected to a satellite dish antenna by two coaxial cables.

We are introducing our nationwide service by offering two distinct personal computer connection devices. All subscribers other than those acquiring our service through RadioShack will require a StarBand modem, which is an external box with an industry standard universal serial bus interface to allow for plug-and-play functionality with the subscriber's personal computer. Subscribers who acquire our service through the RadioShack channel will be required to purchase a personal computer from RadioShack with the StarBand personal computer cards already integrated into the computer.

We plan to introduce a second-generation StarBand modem with a universal serial bus connection in 2001. Gilat is simplifying the components of its current StarBand modem into a smaller and aesthetically pleasing package and we are working with Gilat to reduce the cost as low as possible.

We are working with EchoStar to jointly introduce a satellite-based home networking gateway that will provide both direct broadcast satellite television and high-speed Internet access. We expect this single box design to connect to the consumer's television, personal computer and other Internet appliances and include a large hard drive for downloading and storing large files such as feature-length films.

Our dish antenna unit is installed outdoors, typically on a roof or ground pole mount. The antenna requires a clear view of the southern sky in order to have line-of-sight to the satellites carrying our services. The antenna unit will initially measure 0.75m in diameter, although we expect this size to be reduced eventually to 0.6m.

Competition

Although we believe we currently face no direct competition from any other nationwide, two-way satellite high-speed Internet access provider in the consumer marketplace, the overall market for consumer Internet access is highly competitive. While our current strategy is to focus on customers in those areas underserved by terrestrial networks, we expect that our target markets will become more competitive in the future. Our basis for competition includes:

- availability of service;
- no pre-qualifications to receive the service;
- the user's Internet experience;
- bundling of Internet service with television services; and
- reliability and consistency of service from installation throughout the service life.

We face competition from traditional telephone companies, cable modem service providers, competitive local exchange carriers, wireless communication companies and satellite service providers. Many of our competitors have longer operating histories and greater financial, technical, marketing and

other resources than we do and thus may be able to respond more quickly to new or changing opportunities and customer requirements.

Traditional Telephone Companies

The traditional telephone companies represent strong competition in all of our target market areas as providers of dial-up Internet access. In particular, the traditional telephone companies have an established brand name in their service areas and own their copper lines. As they continue rolling out DSL services, they will increasingly be able to bundle their DSL services with voice services provided to their existing customers.

Cable Modem Service Providers

Cable modem service providers such as Roadrunner, Excite@Home Network and MediaOne, and their respective cable partners, are deploying high-speed Internet access services over hybrid

fiber coaxial cable networks. These networks have become the primary architecture utilized by cable operators in recent and ongoing upgrades of their systems. Where deployed, these networks provide higher-speed Internet access than we provide. We believe the cable modem service providers face a number of challenges, such as the inability to offer service on a nationwide basis. Also, much of the current cable infrastructure in the United States must be upgraded to support cable modems, a process that we believe will be expensive and time-consuming.

Competitive Local Exchange Carriers

Many competitive local exchange carriers such as Covad Communications, Rhythms NetConnections and NorthPoint Communications offer high-speed digital services. Their ability to provide service requires interconnection agreements with the traditional telephone companies, pursuant to which they must acquire central office space and install DSL hardware. We believe this requirement will result in competitive local exchange carriers focusing primarily on areas of high density.

Wireless Providers

We may face competition from terrestrial wireless services, including 2 GHz and 28 GHz wireless cable services, Multi-channel Microwave Distribution System, or MMDS, and Local Multi-channel Distribution System, or LMDS, and 18 GHz and 39 GHz point-to-point microwave systems. The FCC is currently considering new rules to permit MMDS licensees to use their systems to offer two-way services, including high-speed data, rather than solely to provide one-way video services. The FCC has also recently auctioned spectrum for LMDS services in all markets. This spectrum is expected to be used for wireless cable and telephony services, including high-speed digital services. We believe it is unlikely that a nationwide wireless provider will emerge in the near future because these licenses are awarded on a region-to-region basis.

Satellite-Based Systems

Neglect to mention HNS, DirecPC, Spaceway, AOL+ Hughes Two-Way,

We may face competition from other providers of satellite services, including Hughes Communications and WildBlue. We believe our competitors will have data networking expertise. Hughes has significant experience in running satellite data networking services, and may enter the market soon with a two-way Ku band-based consumer offering. WildBlue has announced plans to launch a satellite-based Internet service in 2002, but has not yet developed its satellite networking infrastructure. Other potential satellite-based competitors could include Teledesic, Cyberstar, Skybridge, Tachyon and Astrolink.

Government Regulation

Our satellite network uses earth stations that transmit and receive radio signals (the earth segment) and satellite space stations that relay these signals between earth stations (the space segment). Pursuant to the Communications Act of 1934, as amended, the FCC regulates the use of radio spectrum in the United States, including satellite communications. Space stations and transmitting earth stations, as distinguished

from receive-only stations, must be authorized by the FCC. Installation of satellite antennas may also be subject to state and local regulations such as zoning ordinances.

We are not an FCC licensee and do not hold any authorizations to operate earth stations or satellites. We obtain the satellite communications links used to provide our services pursuant to a services agreement with Gilat and Spacenet Inc., a wholly owned subsidiary of Gilat. Spacenet and its subsidiaries hold licenses for the earth stations used for our service and Spacenet provides some of our satellite capacity pursuant to contracts with owners of U.S.-licensed satellites.

Earth station licenses are granted for ten-year terms. The FCC generally renews these licenses routinely, but there is no guarantee that they will be renewed or that renewals will be for full terms. Major changes in operations and earth station facilities require preapproval by the FCC and a modification to the applicable FCC licenses.

Subsidiaries of Spacenet hold licenses for several network operations center stations, which exchange data with many users, connect the users to the Internet backbone and control the communications equipment at subscriber locations. Subsidiaries of Spacenet also hold blanket domestic licenses issued by the FCC for several types of customer premises equipment that we use to provide our service, including 0.75m and 0.96m dish antennas. Customer premises equipment is located on each customer's premises and communicates with only one of the network operations centers via satellite. Each blanket license covers many subscriber remote antennas installed within the continental U.S., Alaska, Hawaii, Puerto Rico and the Virgin Islands.

Do these blanket licenses apply to residential service?

Very small aperture terminal, or VSAT, remote stations use small dish antennas that are suited for residential and other non-industrial areas. The type of VSAT dish antenna that each customer needs is determined by geographic location. The FCC routinely approves dish antennas that conform to rules specifying beamwidth requirements or, alternatively, that do not conform to the rules but which the licensee demonstrates are compatible with the FCC's satellite spacing policy. The larger VSAT remote dish antennas used for our service conform to the beamwidth rules. The FCC approved the two smallest VSAT remote dish antennas used for our service, 0.96m and 0.75m designs, on the required showing. The FCC granted blanket licenses for these two VSAT dish antennas in June and July 2000 for use in up to 20,000 locations, conditioned upon the outcome of a public proceeding concerning the type of network access scheme used by many satellite data networks. A subsidiary of Spacenet currently has an application on file with the FCC to seek authority for communications with Telstar 7 and increase the number of 0.75m remote user locations Spacenet may operate to 100,000. ← Why would they not ask for authority to more than 100,000 sites . . . 10 million is more like it.

The FCC requires satellite communications systems to operate in a way that does not cause harmful interference with the operation of other satellites. Earlier this year, the FCC staff raised a question whether a provision of the FCC rules could be read to prohibit a longstanding industry practice regarding network access schemes (the conventions that determine when and how remote stations communicate with the satellite). In granting the licenses for the 0.96m and 0.75m VSAT remote dish antennas, the FCC waived the rule to the extent that it might be construed to prohibit the use of industry-standard network access schemes and conditioned the licenses on the outcome of the pending proceeding. At the staff's request, Spacenet petitioned the FCC for a declaratory ruling interpreting the rules to permit the longstanding industry practice. The public comment

period ended on June 14, 2000, and the satellite industry supported granting the type of relief sought by Spacenet. We expect FCC action before the end of the year. It is not possible to predict precisely the manner in which the FCC will resolve this issue.

The FCC has established guidelines for human exposure to radio frequency energy. Between the feed horn and the reflector of our VSAT dish antennas, the radio frequency exposure exceeds the acceptable level established by the FCC. There is a risk of injury to anyone who places part of their body in this area of the VSAT dish antenna for a prolonged period of time. Spacenet has provided the FCC with information concerning the typical installation and placement of the dish antennas used for our service and the technical safeguards and warnings that we will use to minimize the risk of injury. We believe that these methods will satisfy the FCC or that we, together with Gilat, can develop procedures to satisfy the FCC's concerns.

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Some localities attempt to impose restrictions on the installation of satellite dish antennas, usually in the form of zoning ordinances. While not directly regulating us, those restrictions might reduce market demand for the our service. The FCC has adopted rules limiting the circumstances under which restrictions can be imposed and has preempted many types of restrictions entirely. The FCC is also considering further action to prevent localities from interfering with the federal interest in widespread and competitive availability of broadband services.

On September 28, 2000, the FCC instituted a public proceeding inquiring as to whether companies offering high-speed data networks should be required to make their networks available generally to any Internet service provider that would like to use them to reach customers or whether this access will be available on the open market without regulation. There is no way to determine how the FCC will decide this issue. It may, after receiving public comment, elect not to impose any regulatory requirements. If, however, the FCC decides that high-speed data networks used to provide access to the Internet should be made available generally to Internet service providers, we may be required to provide our wholesale service to any Internet service provider that requests it, including entities that compete with us and with MSN. At this point, however, it is not possible to predict whether or when such regulations will be adopted or the precise obligations they may impose on us.

The FCC also regulates telecommunications common carriers under Title II of the Communications Act of 1934, as amended. Providers of Internet access services, such as the service we offer, are not subject to regulation under Title II. The FCC does, however, have the power to impose some forms of regulation on providers of Internet access services under Title I of the Communications Act, which gives the FCC the power to regulate interstate communications by wire or radio. As an Internet service provider, we are potentially subject to such regulation. To date, the FCC has avoided regulation of Internet service providers, but there is no guarantee that the FCC will continue to refrain from regulating them or some of their services in the future.

Currently, one legitimate ground for local regulation is safety. While localities have generally not regulated the emission of radio frequency energy, the possibility exists that local jurisdictions

may restrict the installation of transmitting earth stations to achieve legitimate safety goals. We believe it is unlikely that such a restriction could be used to prevent installation of the VSAT remote stations used for our service because of the very low safety risk posed by the antennas.

Technology and Licensing

Gilat is our primary technology partner and will continue research and development projects with us and on our behalf. Gilat research and development teams are located in both Israel and the United States, and include satellite experts in the field of hardware development, satellite access software and application protocols such as Internet Protocol. They are working with us to ensure continued technological leadership. Gilat has agreed to continue research and development of our current products and we have agreed to pay a portion of the research and development costs. One major research and development effort is the multicast software, including the future StarBand Carousel [SM] through which content will be multicast on a scheduled basis.

Employees

As of August 31, 2000 we had 127 full-time employees and a total of 40 consultants and other individuals working for us pursuant to management services agreements. For operational reasons, during our development stage, all of our employees were leased from Spacenet. Substantially all of these personnel will be transferred to our direct payroll prior to the end of 2000. Our agreement with Spacenet requires us to make timely payment of the full cost incurred by Spacenet including salary, bonuses, benefits, taxes, processing costs and related items. Of that number, 70 are based in our offices in McLean, Virginia, and 95 are based in Marietta, Georgia. We have 12 employees in our sales force and 22 in research and engineering. None of our employees is a party to a collective bargaining agreement, and we

have never experienced a work stoppage. We consider our relationship with our employees to be good and have not experienced any interruptions of operations due to labor disagreements.

Properties

Our corporate headquarters facility of approximately 42,000 square feet is located in McLean, Virginia. Spacenet leases the McLean facility from a third party and we occupy the premises pursuant to a sublease with Spacenet under which we pay Spacenet the same price that they pay under their lease. The lease for this facility expires in April 2005 with an option for renewal. In addition, we occupy a facility of approximately 58,000 square feet in Marietta, Georgia, where the network operations center is located. Spacenet leases the Marietta facility from a third party and we occupy the premises pursuant to a sublease with Spacenet under which we pay same price to Spacenet as they pay under their lease. The lease for this facility expires in September 2001.

Legal Proceedings

On or about July 26, 2000, Globecomm Systems, Inc. commenced a lawsuit against us in the Eastern District of New York alleging the willful infringement of their U.S. patent relating to a particular means for transferring and receiving communications signals between a remote terminal and a network operations center via satellite. This proceeding is at an early stage. We will respond appropriately to Globecomm's complaint and vigorously defend our rights in this matter.

In addition, on May 8, 2000, Hughes Electronics Corporation commenced a lawsuit against Gilat and Spacenet in the District of Maryland, alleging willful infringement of four patents. We are not a party to the lawsuit and only one of the infringement claims may be relevant to the equipment we purchase from Gilat. A ruling against Gilat or Spacenet would significantly harm our business because we license technology from them that forms part of Hughes' claim. In particular, the single potentially relevant claim is related to personal computer based receiver cards that we use as part of our service offering to consumers. We may not be able to continue to use the technology if Hughes prevails on its claim regarding this technology. Gilat and Spacenet have filed motions for partial summary judgment on the issue of patent claim construction and the Court has scheduled a hearing on these motions for November 20, 2000.

Based upon our analysis of the information available to us at these preliminary stages and the technology we use to operate our network, we believe that these suits represent minimal risk to our business and financial condition.

We do not have insurance that would indemnify us for any liability that may be imposed in connection with the legal actions described above. Accordingly, if any of these events occur, it could result in a substantial reduction in our revenue and could result in losses over an extended period of time.

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MANAGEMENT

Executive Officers and Directors

The following table sets forth information with respect to our executive officers and directors: